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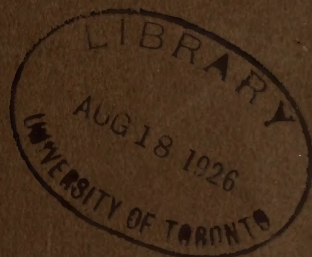
(Iowa - Banks)

HISTORY OF BANKING IN IOWA

BY
HOWARD H. PRESTON

SUBMITTED TO THE FACULTY OF THE GRADUATE COLLEGE
OF THE STATE UNIVERSITY OF IOWA IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS
FOR THE DEGREE OF DOCTOR
OF PHILOSOPHY

IOWA CITY IOWA
1922



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EDITOR'S INTRODUCTION

It is a fact that no more books than any other have been published in the United States in the last few years. The reason for this is not that the country is so small, but that the demand for books is so great. The publishers of this country are not only supplying the demand, but they are also supplying the demand for books in other countries. This is a fact that is well known to all who are interested in the book trade. The publishers of this country are not only supplying the demand, but they are also supplying the demand for books in other countries. This is a fact that is well known to all who are interested in the book trade.

THE EDITOR

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IOWA ECONOMIC HISTORY SERIES
EDITED BY BENJAMIN F. SHAMBAUGH

NEW YORK BOTANICAL GARDEN
HERBARIUM

BANKING IN IOWA

RAYMOND IN TOWNS

its researches, has given encouragement and wise counsel throughout the entire time that the manuscript has been in process.

Without the coöperation of the writer's wife this study would have been impossible. She cheerfully accepted a larger share of the family responsibility and assented willingly to the breaking up of our home life for the summer vacations during which the major part of this work was done.

HOWARD H. PRESTON

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AUTHOR'S PREFACE

The author of this book is deeply indebted to the many friends and colleagues who have assisted him in the preparation of this manuscript.

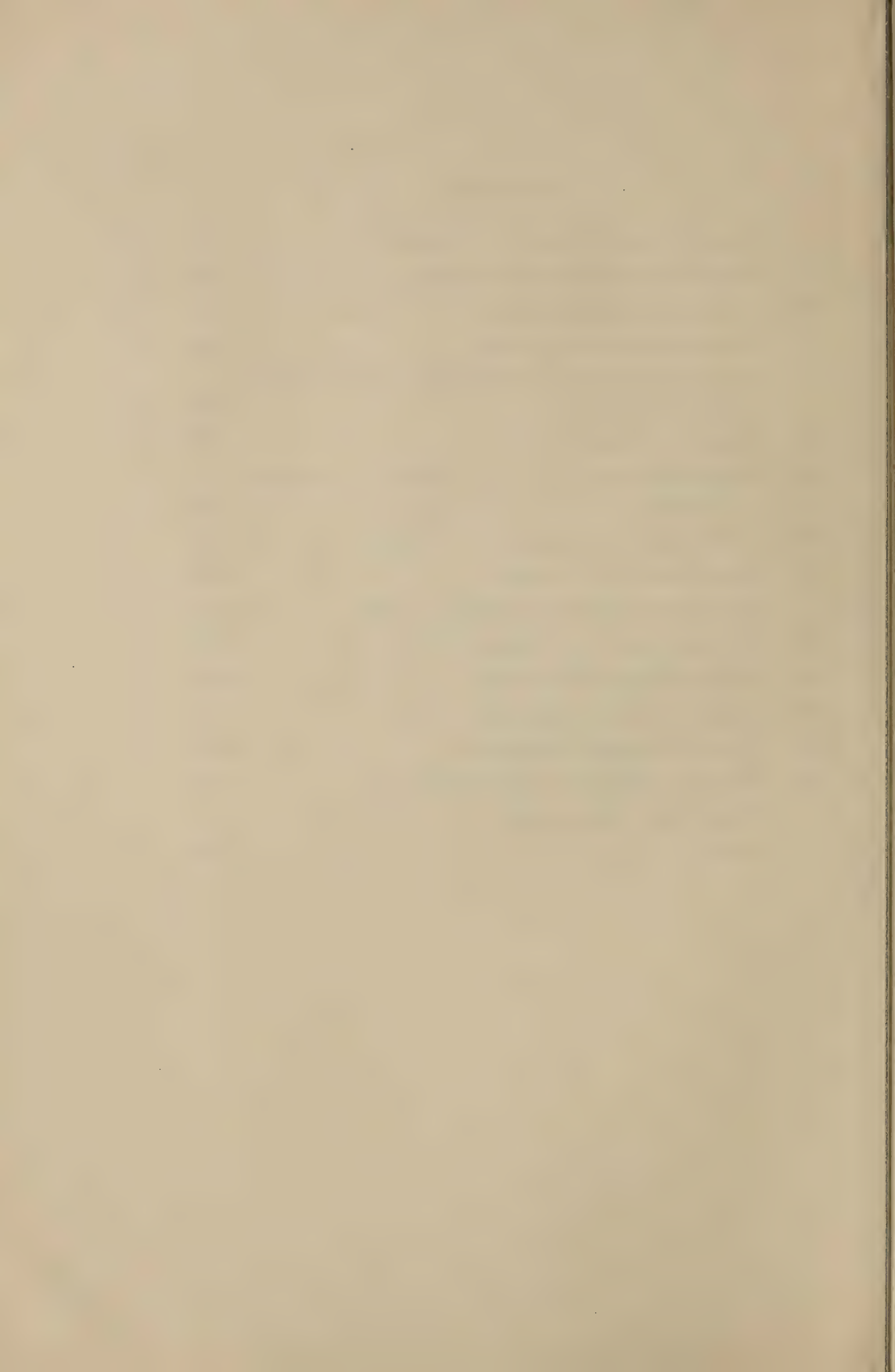
It is a pleasure to acknowledge the assistance of the many friends and colleagues who have assisted him in the preparation of this manuscript. The author is particularly indebted to the many friends and colleagues who have assisted him in the preparation of this manuscript.

THOMAS H. BARNES

Author of "The History of the United States" and "The History of the United States"

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AUTHOR'S PREFACE

In the pages that follow the author has undertaken to give a history of banking in Iowa from the earliest settlement to the present time. Obviously many details had to be omitted in order to keep within the bounds of a single volume. Moreover, the information for certain periods and phases of the subject was very incomplete. Nevertheless it is believed that sufficient data have been presented to give a true record of Iowa's banking development. Special attention has been given throughout to legislation in regard to banking, since the laws enacted represent the popular sentiment toward banks and their control.

The field covered includes more than simply those institutions which technically speaking can be called banks. In the recent Federal Farm Loan Case the Supreme Court of the United States announced a broad definition of banking in these words: "Speaking generally, a bank is a moneyed institution to facilitate the borrowing, lending and caring for money." Under such a liberal definition, practically all institutions making up the financial organization of the State could be comprehended. This study does not claim to be all-inclusive, but it does cover a broad field: it includes commercial banks, savings banks, fiduciary institutions, investment banks of various classes, farm mortgage companies, industrial loan institutions, building and loan associations, and various other special types of financial institutions. The Iowa Bankers Association also receives considerable

attention. To some of these institutions the use of the word bank, or any of its derivatives, in the formal title is expressly prohibited. Banks or financial institutions in Iowa operating under Federal law are included in the treatment. Thus, there is considerable discussion of institutions not peculiar to Iowa; this seemed necessary for the benefit of readers not familiar with the general banking history of the United States.

During the formative period of American banking, prior to the Civil War, Iowa can not be said to have contributed any distinctive type of banking institution or control. Its banking history presents rather a cross section of the history of banking in the nation. Wildecat banking, prohibition of banking, a free banking law, and a State bank were all found in Iowa in this first epoch.

In the development since the founding of the national banking system, the experience of Iowa has paralleled that of the other Commonwealths.

Perhaps the most distinctive feature of the banking situation in Iowa at the present time is the large number of banks: indeed, Iowa possesses more banks than any other State in the Union. Some reasons for this unusual development and the results thereof have been given in Chapter XIV. Iowa's banking history is of special interest also because the majority of the banks are strictly country banks and their business is actually agricultural credit. The regular banks do not, for the most part, loan on farm mortgage security but confine themselves to short time loans. Farm mortgage banking, therefore, has had an unusual development within the State. Here owing to the absence of a large industrial population special types of industrial

loan organizations have not spread widely. Investment banking is also somewhat less prominent than in many States—unless the special farm mortgage companies are included in that class. Iowa has an exceptional number of banks called “savings banks”, but these are in reality chiefly commercial banks.

The reader who is interested only in special phases of the subject will find it possible to cover these topics without reading the entire volume. The years prior to the Civil War may be considered a distinct epoch in Iowa banking. Existing State laws were rendered obsolete by the passage of the national banking act. The establishment of the present commercial and savings bank system and its development to date are sketched in Chapters VII-X. The remaining five chapters deal with special topics and each is practically a unit in itself, so that the reader may omit any portion without serious loss of continuity.

For assistance in the preparation of this volume the author wishes to acknowledge his indebtedness first of all to the late Professor Isaac A. Loos for his inspiration as a teacher and for suggesting this topic of investigation. The main portion of the study was prepared under the direction of Professor N. R. Whitney, now of the University of Cincinnati, and from him the writer received many valuable suggestions. Professor H. L. Lutz of Oberlin College, Professor E. T. Miller of the University of Texas, and Professor George W. Dowrie of the University of Minnesota read portions of the manuscript and made helpful suggestions.

For assistance in securing material and also for reading those portions of the manuscript which pertain to their

respective fields the author wishes to make special acknowledgment to Mr. Frank Waples, Secretary of the Iowa Farm Mortgage Association, to Mr. F. D. Denlinger, former President of the Iowa Building and Loan League, and to Mr. Frank Warner, Secretary of the Iowa Bankers Association. There are many others in the practical field of banking who have assisted by correspondence and interviews, but the list of such persons is too long to be included here. The references will be found to indicate these sources of special information. In tracing through the legislation and checking up the author's own researches in that phase of the subject Pollock's *History of Economic Legislation in Iowa* was relied upon more than the footnote references indicate.

The major portion of this study was carried on in the research rooms of The State Historical Society of Iowa. Here the dominant spirit of mutual helpfulness and the comradeship of scholars intent upon similar researches did much to sustain the writer's determination when the task seemed long and tedious. Intangible but nevertheless very real, this spirit of my research associates has made the task of writing this volume more pleasant and, I believe, more fruitful. In the gathering of material every facility of the Society has been placed at my disposal. The painstaking assistance given by the editorial staff in editing and verifying the manuscript and in reading proof has relieved the writer of much labor. Special assistance was given by Dr. Ruth A. Gallaher in editing, proof-reading, and indexing. Miss Helen Otto assisted in the verification of the manuscript. Dr. Benj. F. Shambaugh, whose genius has made possible the existing organization of The State Historical Society and whose spirit is the guiding influence in

I

ECONOMIC AND POLITICAL BACKGROUND

For more than a century and a half after its first exploration by Marquette and Joliet in 1673, the Iowa country remained the hunting ground of Indian tribes: indeed, it was not until the early thirties that white settlers crossed the Mississippi in any considerable number, and even then the land had not been surveyed and offered for sale. The best evidence shows that these hardy pioneers who "squatted" on the public domain were not lawless intruders, but an industrious people coming from all parts of the Union. Later when the country was surveyed and the territory officially opened for settlement the rich prairie land of Iowa was sold at \$1.25 per acre. In 1835 there were over ten thousand inhabitants in the Iowa country, and when the Territory of Iowa was established in 1838 it had a population of 22,859. The great highway of commerce was the Mississippi River and along its banks the early towns appeared. St. Louis, which was then the most important trading point of the region, was the market for Iowa products.¹

At this time, when Iowa was being first settled and when its first economic institutions were being established, American banking was in a very chaotic condition. In 1832 the question of the recharter of the Second Bank of the United States was the leading issue in the presidential campaign. The Whigs under the leadership of Henry Clay espoused the cause of the Bank, while the Democrats opposed it under the leadership of President Jackson. The decisive victory of the anti-bank party resulted in making the bank question the leading political issue of the thirties and early forties.

Moreover, the salutary influence of the Bank of the United States being removed, all banking regulation was left to the discretion of the several State governments. An era of State bank inflation resulted.

The number of State banks increased from 330 in 1830 to 788 at the close of the year 1836; and their note issue more than trebled in the same period. With the lax regulation imposed by many of the States, particularly in the West and South, the quality of this circulation greatly deteriorated. A wave of speculation in public lands swept over the country. In 1837 there came a violent financial collapse, followed by the suspension of specie payments and heavy liquidation. The latter continued until about 1843, with some periods of improvement. Meantime, the volume of bank notes in circulation dropped from the high level of 1836-1837 to about the point where it had been in 1830. Some gain had been made in the quantity of specie in circulation; but in the six years of contraction the per capita money in circulation in the United States fell from \$13.87 to \$7.87.²

It is not surprising that early banking in Iowa was strongly colored by the economic and political background against which it was projected. From the meager data available it seems that the general economic disorders prevalent in the country were even more severe in the pioneer communities of Iowa. Money was scarce and its quality was very poor. The Iowa pioneer brought little money with him to the new home. His former property had frequently been converted into cash to pay for land. Often, therefore, he was "land poor". Heavily in debt as he frequently was, he found the period of falling prices which resulted from the heavy liquidation after the panic of 1837 very detrimental to his interest.

The effect of this scarcity of a satisfactory currency was shown in the economic conditions of the early forties. A

Muscatine County correspondent of *The Iowa Standard*—then published simultaneously at Bloomington (now Muscatine) and Iowa City—describes agricultural conditions in Iowa in the fall of 1840 in a very interesting way. Doubtless the condition he pictures was characteristic of all other Iowa communities at that time. The communication, signed “Poor Richard and his Brother”, reads in part as follows:

We are, many of us in debt. We came here, some two, some six years ago, and settled upon land that was not in market, and was not expected to be for some time after we settled. Some of us then had a little money and some of our neighbors had none. We loaned to each other to buy the necessities of our families, which then cost us “a right good chance of money.” We also sold our little effects in our old settlement partly on credit, expecting the money when our land came into market. But the day of sale came when many of us were not ready. We were obliged to borrow money, at from 25 to 75 per cent. and pledge our homes for its payment. We were also in debt to our neighbors and our merchants. How are we to pay all these debts?

We must sell part of our land. We know that Iowa has a rich and productive soil, and that with little labor, compared with other wild countries, it is brought into a cultivated field—that our great navigable river will always enable us to carry off our produce with little expense; and therefore our lands will some day become valuable. If we wish to retain a footing here, we must sell a part and redeem our pledges, satisfy our creditors and keep off the Sheriff. We had better have but 80 acres and have it secure and safe, than have twice or four times the quantity and make slaves of ourselves to keep peace with our creditors. . . .

We may calculate that next spring there will be a good chance of farm hunters, and we who are in debt, had better embrace the opportunity and sell a part and save a part, than to do worse. We have had the pleasures and hardships of settling this new country, and don’t want to try it over again. We want to stay here near the river and near the market. We want to fix stables and shelters for our stock; to fix our gardens and set out orchards; to make our houses neat, durable, and comfortable; and to live in peace, comfort and happiness the remainder of our days.³

In the years immediately following, the situation described by "Poor Richard" in 1840 seems to have become worse rather than better. An extract from the *Iowa Sun* of Davenport shows how serious the condition had become by April, 1841:

The times are hard, and business of all kinds dull. Money, even counterfeit paper, and bogus, have almost totally disappeared (no other money having been current here since the last land sales.) Emigrants continue to pour into the Promised Land by tens, hundreds, and thousands—filling up the back country with an industrious and enterprising population.⁴

The hard times evidently reached their most acute stage in the winter of 1842-1843. In the spring of that year the economic conditions are reflected in the difficulties confronting the newspapers. Notice is given that *The Burlington Hawkeye* had been forced to suspend because it was unable to collect the money due on subscriptions. The editor of *The Iowa Standard* was very sympathetic, being in danger of much the same fate himself. Money being scarce, he asked for payment in produce; and this notice appeared in the comment on the fate of his colleague:

We are at this time in pressing need of many articles which our country friends could supply us with, would they but wake up and make an effort to pay their dues. Almost every description of produce, in reasonable quantities, can be turned to account; and if those who are in arrearage would either come and see us, or communicate upon the subject by letter or messenger—(not subjecting us to *postage* however)—doubtless arrangements mutually advantageous could be made in almost every instance.⁵

Prices quoted on the St. Louis market at about this time show that it would take a considerable quantity of bacon and beans to pay a year's subscription to a weekly newspaper. Representative of the value of products of the Iowa farmer are quotations of bacon and ham at three cents per pound; beans at fifty cents per bushel; butter in kegs at ten

cents per pound, in barrels at six cents; wheat at forty-eight to fifty cents per bushel; and shelled corn at twenty cents per bushel. Since these quotations were for St. Louis in May and were spoken of as representing a return of prosperity, we may safely assume that, at the worst of the hard times, prices in Iowa were much lower.⁶

Under the caption "Hard Money Times", *The Iowa Standard* gives some earlier prices at a constable's sale of the property of a poor widow in Pike County, Missouri—a county on the Mississippi River in the northern part of the State. The following named articles were sold at the prices annexed:

3 good horses, each.....	\$1.50
1 large ox12½
5 cows, 2 steers, 1 calf, the lot.....	3.25
20 sheep each.....	.12½
24 hogs, lot75
1 dining table50
1 eight day clock.....	2.50
1 lot of tobacco, 7 or 8 cwt., lot.....	5.00
3 stacks of hay each.....	.25
1 stack fodder25

The *Hannibal Journal*, from which these figures were taken, was led to comment as follows:

Truly we are beginning to feel the benefits which flowed from the destruction of the old United States Bank—the consequent influx of shimplasters—and the ultimate return to a purely specie currency. The rich may well rejoice at a policy that more than trebles their wealth—but as for the poor—God help them.⁷

Scarcity of money is evidenced by one more instance which came a few months later. *The Iowa Standard* states that the workmen who built the dam and mill at Iowa City took their pay in stock of the corporation. Only \$12 in cash was spent in erecting a dam which cost \$5000.⁸ It must be remembered, too, that banks of deposit were not available, so that no bank check was used by the builders.

The quality of the circulation appears to have been as poor as its quantity was limited. There was little specie in circulation in Iowa, and such as was used contained few coins from the United States mint. By some writers this lack of specie was ascribed to the policy of the treasury department as laid down in the specie circular—an order issued on July 11, 1836, which required land payments to be made in coin.⁹ By others the blame was laid to the illegal circulation of small bank notes which drove the better money from use. A pioneer who came to Iowa in 1844, and is still a resident of Iowa City, told the writer that in those days most of the silver coins were of foreign mintage. Spanish silver quarters were used until worn smooth. They were then crossed with a knife and reduced to twenty cents. In like manner the twelve and one-half and six and one-fourth cent pieces were reduced to ten and five cents respectively.¹⁰ The California gold discoveries increased the quantity of American gold coins in circulation during the fifties. After the change of the coinage ratio in 1834, silver was undervalued to such a degree that a serious dearth of minor coins was felt throughout the whole country. The situation became so serious that in 1853 an act was passed providing for the coinage of subsidiary silver coins of reduced weight and limited legal tender quality. Four years later Congress passed an act repealing all statutes giving legal tender power to foreign coins. This legislation did much to establish a currency made up of domestic coins.¹¹

Paper currency included the poorest bank notes in circulation. Michigan bank notes were a large item among the assets of the Miners' Bank of Dubuque at the time of its first published statements in 1837. These were the worst of a very doubtful lot of currency. "Michigan money was reported in June, 1838, to consist of three kinds, red dog, wild cat, and catamount. 'Of the best quality it is said that it takes five pecks to make a bushel.' "¹² It appears that

rather more than five pecks of the notes in circulation in Iowa were required for a bushel.

In view of the severe financial conditions against which they were struggling, it is not surprising to find the Iowa pioneers absorbingly interested in the questions of banking and currency. Around these issues the political battles of the thirties and early forties were waged. Andrew Jackson had led the Democratic party into the fight against the Second Bank of the United States. The substitute which was provided was a heterogeneous system of State regulated—or unregulated—banks. The Whigs had undertaken the establishment of a third Bank of the United States and generally supported the regulation rather than the prohibition of banking within the States.

The Iowa Standard, a supporter of the Whig doctrines, in addition to upholding the Whig positions in national and State affairs, printed the more extreme statements of the opposition. A considerable amount of the space devoted to the Whig position was given over to long articles defending the party doctrines. In one issue the front page was almost entirely devoted to the "Report of the Select Committee of the States on the Currency". This was Henry Clay's plan for the proposed Bank of the United States in 1841. *The Iowa Standard* also carried articles supporting the measure. A speech by State Senator Nash, in the Ohio Senate, concerning banks and the currency was given the entire front page and half of the second in two issues. The Whig doctrine from the editor's own view point was set forth in a series of long editorials which were concluded on November 23, 1843. He pointed out that the abolition of bank paper was working a hardship to the land-owners of Iowa, who were largely in the debtor class.¹³

Editors seemed to express themselves most feelingly when describing conditions in neighboring Commonwealths or attacking opposition papers. To show the extreme doctrine

of some opponents of banking *The Iowa Standard* quotes the following from the *Kalida Venture* (Ohio), which it calls a Loco-foco¹⁴ paper of the first water:

There is not a single bank in the United States that is much better than a den of thieves, seeking an opportunity to "fail" to advantage and rob the people! How disgusting, then, is the hypocritical jargon of the bank lackeys and slaves, about the recharter of the "good banks," "sound banks!" Pish!—humbug!—how can GOODNESS come out of HELL?¹⁵

The *Iowa Capital Reporter*, the organ of Democracy at the capital, was untiring in its opposition to banks of any kind. Antagonism to banking institutions even transcended civic pride. When it was proposed to establish a bank at Iowa City the brief notice in the paper fairly bristled with invectives. The institution was called an "incipient little monster", a "vampire upon the body politic", and a machine for "swindling honest industry". The writer charged that it was being promoted for the advantage of "a pampered bank aristocracy in Iowa." But his firm faith in the attitude of the Democratic majority in the legislature led him to "bespeak for this hybrid little monster, a warm reception, a summary disposal, and a speedy quietus."¹⁶

With statesmanship that would do credit to twentieth century politicians each party sought to lay all the economic ills of the day at the door of the party in power. As is usual in such cases, strange inconsistencies may be found in their reasoning. A writer in the *Bloomington Herald* charged the unfortunate pecuniary condition of Indiana to the Whigs. *The Iowa Standard* called attention to Illinois, "where loco-focism rides triumphant, and the governor was obliged to inform the legislature that the treasury was not able even to pay the postage on his official correspondence."¹⁷

A review of the existing economic and political conditions shows clearly that banking in Iowa began under anything

but favorable circumstances. The Territory was rich in natural wealth, but sorely in need of working capital. Its circulating medium was insufficient in quantity and poor in quality. The entire country was suffering from a chaotic banking situation and passing through a severe financial depression. Bitter partisanship colored all consideration of the banking question.

II

THE MINERS' BANK OF DUBUQUE

During the Territorial period the only chartered bank established in what is now Iowa was the Miners' Bank of Dubuque. The lead mines near Dubuque were responsible for the early settlement and commercial importance of the city. Lead had been discovered in this region by the Indians, and the mines were later developed by Julien Dubuque during the period of the Spanish possession of the trans-Mississippi country. Prior to 1833 the lead district was not legally open for settlement, and settlers were several times ejected by the military forces of the United States. In June of that year the government began leasing the mines to its citizens, and by 1840 Dubuque had come to be known as one of the chief lead producing sections in America.¹⁸

ESTABLISHMENT OF THE BANK

Late in the year 1835 a branch of the Bank of Illinois was established at Galena, Illinois.¹⁹ Stimulated doubtless by this action and feeling a real need for banking facilities, the citizens of Dubuque made application to the legislature of the Territory of Wisconsin (of which the Iowa country was then a part) for a bank charter. On November 30, 1836, an act to incorporate the stockholders of the Miners' Bank of Dubuque was approved by the Territorial legislature.²⁰ The approval of Congress was given, with certain limitations, on March 3, 1837.²¹

The terms of incorporation, as amended by Congress, fixed the capital at \$200,000—divided into two thousand shares of \$100 each. Nine commissioners were appointed

to receive subscriptions; and these same men were to become the first directors. Subscriptions were to be opened in Dubuque County, and in such other places as the commissioners might think proper, as soon as convenient after the act received the approval of Congress. One-tenth of the amount of each share was to be paid at the time of subscribing and the balance in installments at the discretion of the directors who were to give ninety days notice in a local newspaper. The directors were authorized to call for not exceeding forty per cent of the subscriptions of each stockholder at one installment; and the stockholders were not permitted to increase the capital without the consent of Congress previously obtained.²²

The management of the affairs of the bank was vested in a board of seven directors. These directors were required to be residents, citizens of the Territory, and stockholders of the bank. Their term of office was for one year, and election was to take place at a general meeting of the stockholders to be held on the first Monday in October. At these elections the shares were not given equal representation, but each stockholder was allowed one vote each for his first ten shares and above that amount only one vote for every ten shares. Stockholders not resident within the United States were denied the privilege of voting by proxy. Other stockholders were given the right to be represented by proxies to other stockholders or to the cashier of the bank.²³

The powers and duties of the directors were such as are commonly vested in such a body. They could elect one of their own number president, prescribe by-laws, and make rules and regulations concerning the conduct of business and duties of officers and employees. A majority of the board of directors was authorized to declare the half-yearly dividends.

Directors were individually liable for all obligations of the corporation in excess of twice the sum of the capital

stock subscribed and actually paid into the bank. However, a director was relieved of this personal liability if absent when the excess was contracted or if he dissented from the resolution or act whereby the same was contracted. It was further provided that, "No one director shall be permitted at any one time to become indebted to the bank by loans, endorsement or otherwise, to an amount exceeding five thousand dollars."²⁴

The bank was prohibited from owning any real estate except the necessary banking house and lot or such other realty as it might acquire in satisfaction of debts previously contracted or purchased at sales upon judgments. In like manner it was prohibited from purchasing or selling goods, wares, or merchandise, directly or indirectly, except when these had been pledged as security or bought at judgment sale for subsequent resale.

The interest rate of the bank on its loans and discounts was limited to seven per cent payable in advance. Statements of the condition of the bank were required to be made by the president and cashier whenever desired by the Legislative Assembly of the Territory. The bank was not to be permitted to owe "either by bond, bill, note, or other contract, over and above its actual deposits, an amount to exceed twice the amount of its capital stock actually paid in". It was required to commence business by January 1, 1838, or forfeit its charter, and its corporate life was to continue until May 1, 1857.

The most important function of a bank of that period was the issue of notes for circulation. Indeed, a bank without the right of issue was scarcely considered feasible. Banking laws and special charters were framed, therefore, primarily to provide safety for the community against unsound note issues. The Miners' Bank was not allowed to issue notes for circulation until one-half of the capital had been actually paid in. Of this amount of capital, \$40,000

was required to be paid by the stockholders in legal coin of the United States. The limitation of the bank's indebtedness, other than for its actual deposits, to twice the amount of its capital stock actually paid in, fixed a maximum limit to its note issue. No note or bill could be issued of less denomination than \$5 and the legislature reserved the power to raise the minimum denomination of notes to \$10 after four years, and to \$20 after ten years.²⁵

We find in these limitations no special security against notes, such as the familiar bond deposit of the national banks. There were no special provisions for redemption of notes in specie or penalty for non-redemption. No preference was given to note holders over other creditors. The limitation on the volume of notes was very lax. The bank was not required to retain permanently the specie paid in at the outset. Objections to small notes were the ease of counterfeiting and the tendency for small notes to remain longer in circulation and hence the greater possibility of inflation.

In this one respect the charter of the Miners' Bank went as far as could be desired.²⁶ But on the whole its note issue restrictions were not strict enough to avoid the pitfalls of the banking practices of that day.

OPENING OF THE BANK

Subscriptions for the capital stock were received on May 22nd, 23rd, 24th, and 30th, and all of the stock was subscribed for on those days. The directors issued a call for the payment of forty per cent on the capital stock to be made on the second Monday of October—one-half of this installment to be in specie. An election of directors was held on October 14th at the counting room of E. Lockwood. On October 31, 1837, the bank opened its doors for the transaction of business.

The opening of the bank was not accomplished without

considerable friction; the selection of officers occasioned some ill-feeling; and almost as soon as the bank began operations charges of various kinds of corruption were made. It was said that the full amount of capital had not been paid before issuing notes. Large stockholders were charged with attempting to secure control of the stock of small holders. The panic of that year and the general suspicion of banks made it easy for these rumors to gain credence among the people.²⁷

FIRST LEGISLATIVE INVESTIGATION

The rumors concerning the bank soon reached the Legislative Assembly of the Territory of Wisconsin which was in session at the time in Burlington; and on November 16, 1837, just a little over two weeks after the opening of the bank, a committee of three from the House of Representatives was appointed to make an examination of the affairs of the banks incorporated in the Territory.²⁸

This committee made a personal visit to the Miners' Bank of Dubuque to get accurate first-hand information and to give the citizens of Dubuque a chance to present any facts they might have as to the condition or management of the bank. The investigation by the committee consisted of submitting to the officers of the bank a list of written questions which were answered by the cashier. The committee remained in Dubuque twenty-eight hours, but according to their own statement they did not deem it "within the scope of their authority to inspect the books of the bank, or to count the money, although every facility for that purpose was offered to them by the Cashier." No persons appeared to report to the committee, either favorably or unfavorably. A more lax and inadequate investigation could scarcely have been made, but it seemed to satisfy the entire committee that the bank was in a sound condition. The report also stated that the bank had complied with all the regulations of the

charter, but on this point there was a difference of opinion. One member of the committee claimed that the issuing of post notes was a violation of the charter; but the other two, while questioning the wisdom of issuing this type of notes, did not regard it as illegal. The report of the committee was adopted and the bank was pronounced in a "sound and solvent condition". The resolutions adopted by the House stated, however, that that body did not consider it within the scope of the bank's authority to issue post notes for the purpose of making ordinary discounts.²⁹

Although the result of this first investigation was highly satisfactory to friends of the bank, it did not stop criticism of the institution. The *Iowa News*, a Dubuque newspaper, was a strong supporter of the bank and used its editorial columns to uphold it.³⁰ Its efforts, however, were not successful in quieting the opposition. Opponents of the bank continued their fight on the institution through such newspapers as would print their articles and also sent statements concerning it to the legislature.³¹ These attacks soon called forth a second investigation.

SECOND LEGISLATIVE INVESTIGATION

The first investigation had been conducted by a committee of three appointed by the House of Representatives. On January 19, 1838, a joint resolution was approved providing for the appointment of a committee of two from each house to investigate the affairs and condition of the Miners' Bank and to report at the extra session of the Legislative Assembly in June of that year. This committee was directed to "visit the bank in person, to examine its books and papers, count the money in its vaults and to examine whether the said bank has complied with the provisions of its charter or not".³²

On February 3, 1838, the committee of investigation met in Dubuque and proceeded to make the examination as di-

rected. Their first action was to address to the officers of the bank nineteen questions on which they asked written answers under oath or affirmation. It was the object of these questions to find out how well the provisions of the charter had been carried out in the organization of the bank and what its condition was at the time of the investigation.

The answers showed that the required \$100,000 of capital had been paid in, but gave the payments as having been made in the following manner: \$40,000 in certificates for specie deposited in Detroit; \$50,000 in notes of the Jackson County Bank and the Bank of Manchester in the State of Michigan; and \$10,000 in specie and various other bank notes.³³ The value of the notes of the two Michigan banks, however, is suggested by the fact that, in April, 1838, among a long list of banks whose notes had no claim to public confidence, the bank commissioners of Michigan reported the Bank of Manchester and the Jackson County Bank.³⁴

As to the Jackson County Bank the following facts had been revealed by examination:

Gold coin was exhibited loose in a drawer, which, being counted, amounted to the sum of \$1037.78; about \$150 in loose silver was also counted. Beneath the counter of the bank, nine boxes were pointed out by the teller as containing \$1000 each. The teller selected one of these boxes and opened it; this was examined, and appeared to be a full box of American half dollars. One of the Commissioners then selected a box, which he opened, and found the same to contain a superficies only of silver, while the remaining portion consisted of lead and ten-penny nails. The Commissioner then proceeded to open the remaining seven boxes; they presented the same contents precisely, with a single exception, in which the substratum was window-glass broken into small pieces.³⁵

This report from a neighboring State illustrates the evils in contemporary banking practice. Moreover, it shows that in accepting notes issued by this institution in payment of stock subscriptions, the directors of the Miners' Bank were launching it upon a very unstable basis.

From testimony of the cashier, G. D. Dillon, it appears that some stockholders of the Miners' Bank paid forty per cent on their stock, put in their notes, and drew out the money at once. Only nominally, therefore, had the bank complied with the charter requirement that one-half the capital be actually paid in before any notes were issued for circulation. In reply to a question concerning the denomination of the bank notes, the officers stated that they had never issued notes of less denomination than \$5.³⁶ By the terms of the charter, notes could not be issued until \$40,000 of specie had been paid in by the stockholders. As a matter of fact, the specie on hand as shown by a statement of condition of the bank on February 3, 1838, and verified count of the investigating committee was \$1318.02. The officers explained that arrangements had been made with a Detroit bank to hold \$40,000 in specie for them and assured the committee that the \$40,000 would be in the hands of the bank at the opening of navigation. This did not satisfy the requirements of the committee and, although the officers were confident that they would shortly receive the money from Detroit, this shortage of specie was responsible for a supplementary examination held in June.

The investigation showed further that the majority of the circulating notes were not payable on demand but at a future date. Thus on February 5, 1838, the amount of notes in circulation was \$14,030—of which \$1350 was payable on demand and \$12,680 twelve months after date. The officers stated that they paid out these post notes in payment of discounted notes or drafts, and that they received them in payment of debts due the bank without regard to maturity. To the question, "Have you at any time refused the payment of specie for your bills when demanded at your counter?" the answer was, "We have never declined paying specie on our bills, when presented at our counter." In reply to a further question regarding redemption of post

notes the answer was given, that they were redeemed partly by notes of other banks and partly with notes of the Du-buque bank.

Notes of other banks constituted such an important part of the assets of the bank and were used to such an extent by them in discounting, that the attitude of the bank toward receiving them is of interest. The question was asked whether such notes when used in discounting would be accepted in payment of debts due the bank. To which the officials replied that they were received by the bank to pay any debt due the bank "which may have been created by the issues of those notes." The use of bank notes of all shades of value was not uncommon in that period, and in thus promoting the circulation of such a large volume of almost worthless notes—\$20,000 of the notes of the two Michigan banks noted above were still included among the bank's assets—the Miners' Bank was following the accepted practice of the time.

The bank was able to show that the rate of discount had not exceeded seven per cent. No director had ever been indebted to the bank to the amount of \$5000 which was the charter limit. On these and certain other points there is no evidence that the bank had violated the provisions of its charter.

As noted above, the committee was not satisfied with the amount of specie on hand and postponed its final report on the bank until after a supplementary examination was held in June. This examination showed a considerable increase in bills discounted and individual deposits. The notes of the Jackson County Bank and the Manchester Bank had mostly been disposed of. Promises had been made that the bank would increase its specie holdings as soon as the \$40,000 for which they held certificate of deposit in a Detroit bank could be transported. It is noted, however, that on June 4th the amount of specie on hand was only \$457.30—nearly \$1000

less than at the time of the February report. An item of \$20,000 "Specie intransito" is found among the assets. This failed to satisfy the examining committee; and their report to the legislature was to the effect that the bank had not met the charter provisions nor kept the promises made at the time of the February examination. They regarded the bank as in an unsound condition and found very little confidence placed in it by the citizens of the community. In view of these facts they recommended the immediate repeal of the bank's charter.³⁷

Nothing was done, however, about repealing the bank's charter, for on June 12, 1838, the Territory of Iowa was established by act of Congress—the act of separation taking effect on July 4, 1838.³⁸ The legislature of Wisconsin Territory adjourned its meeting at Burlington; and the first session of the Legislative Assembly of the Territory of Iowa was begun at Burlington on November 12, 1838.³⁹ This change in jurisdiction was doubtless responsible for the lack of definite action on the committee's report.

THIRD LEGISLATIVE INVESTIGATION

Early in the session of the First Legislative Assembly of the Territory of Iowa the third of the series of legislative investigations of the Miners' Bank was instigated. On November 29, 1838, a resolution was approved⁴⁰ providing for a committee of three—one from the Council and two from the House of Representatives—to proceed at once to Dubuque and examine the bank.

This committee worked in much the same manner as the former joint committee. The questions asked were almost all answered from the bank's statement for December 7, 1838, submitted by the cashier. In answer to the question as to the amount of capital stock paid in before the bank commenced business, the cashier replied that "fifty per cent upon the capital stock, was required to be paid in before

the bank could legally commence operations." This reply seemed to satisfy the committee, but adds nothing to the information on the disputed point. The statement shows a decrease in the volume of post notes in circulation, an increase in bills discounted, and a relatively large decrease in individual deposits since June 4, 1838. The amount of specie on hand was still very low—amounting to \$3033. Notes of other banks were held to the amount of \$18,874.

In the report to the Legislative Assembly the committee announced that the cash on hand was nearly double the amount of liabilities of the bank, exclusive of the capital stock and undivided profits. There is no distinction made between notes of other banks and specie, the committee apparently not being concerned with the ability of the bank to meet its obligations in specie. Circulation amounted to \$16,025; so that for redemption of its notes alone, not including anything for deposits, the bank had a specie reserve of only about one to five.

The report of the committee was to the effect that the Miners' Bank of Dubuque was in a safe and solvent condition. This report appears to have been satisfactory to both houses of the Assembly.⁴¹ From December 19, 1838, when this report was concurred in, until the meeting of the Fourth Legislative Assembly, which convened on December 6, 1841, there was no further investigation of the affairs of the bank by the Legislative Assembly.

SUSPENSION OF SPECIE PAYMENTS

On March 29, 1841, the directors of the Miners' Bank adopted a series of resolutions formally suspending specie payments. Holding that there was no cause for alarm regarding the condition of the bank, the directors attributed the necessity for suspension to the practice of a large St. Louis firm which, for purpose of speculation, discredited the notes of the Miners' Bank in order to buy them at a

discount and then present them for redemption in specie. This unfair practice was a loss to the ordinary bill holders and an expensive operation for the bank. Accordingly they announced that in the future the bank would pay out specie only in small amounts at its own discretion. As evidence of the solvency of the bank and its desire to act in good faith toward the creditors, the directors promised to publish quarterly statements of the bank's condition. The report accompanying the resolutions showed that the bank was apparently in a sound condition. Its liabilities exclusive of capital stock and profits were \$106,654—of which \$97,005 was notes in circulation and \$9649 was deposits. To meet these demands the bank had cash of \$58,486.99—of which \$40,051.99 was "Gold and Silver on hand."⁴²

ATTITUDE OF THE FOURTH LEGISLATIVE ASSEMBLY

In the Fourth Legislative Assembly the question of the Miners' Bank, its condition and suspension, became a live issue. Bills and resolutions regarding it were of three kinds: first, those calling for another investigation by a joint legislative committee; second, those calling for a statement from the bank of its condition as authorized by the charter; and third, bills or resolutions requiring the bank to resume specie payments.

A joint resolution authorizing an investigating committee to examine the affairs of the bank was passed by the Council⁴³ and referred to the House, where action was postponed until late in the session. The resolution was never passed. In the House opponents of a joint investigating committee favored a resolution calling for a sworn statement from the bank officials; but such a resolution failed to pass.⁴⁴ In the Council a resolution was passed on February 1, 1842, requesting the cashier of the bank to make out and furnish to the Council a statement of its affairs. On the same date a statement was presented to the Council through

M. Bainbridge giving the bank's condition as of January 1, 1842.⁴⁵

This statement is not entirely clear and does not reveal the bank's exact condition as regards notes outstanding and specie on hand. Among the liabilities are listed bank notes in circulation to the amount of \$167,030—an increase of \$70,025 since the time of suspension of specie payments on March 29th preceding. In addition, there is an item of notes on special deposit with other banking institutions amounting to \$46,000. Just what this means is not clear, but it seems to be a special note issue. Instead of placing the item of gold and silver alone on the balance sheet, the report reads "Gold, silver and notes of the State Bank of Missouri \$43,277.66." If there were no more Bank of Missouri notes than at the former time, the specie was practically unchanged. This, however, is not revealed by the balance sheet. At any rate, because of the increased liability for notes outstanding, the relative specie reserve had been lessened.

An effort to compel the bank to resume specie payments was also made in both branches of the Legislative Assembly. In the Council a bill, Council File 103, was passed by a vote of seven to six, which would have required the bank to resume specie payments by August 1, 1842.⁴⁶ On the same day on which this bill passed its second reading in the Council, the House of Representatives passed a similar bill, House File 79, by a vote of fifteen to eleven.⁴⁷ This measure was sent to the Council where it was laid on the table indefinitely.⁴⁸ The Council bill met a similar fate in the House a few days later.⁴⁹ A joint resolution was then passed by the House requiring the bank to "stop its discounts and issues while it continues to suspend specie payment."⁵⁰ This was referred to the Council, and at its first reading was laid on the table.⁵¹ Thus, although similar bills were passed by each house of the Legislative Assembly calling for a re-

sumption of specie payments by the bank before August 1, 1842, no bill was enacted into law.

M. Bainbridge of Dubuque defended the bank against attacks in the legislature. He said there was no complaint on the part of the people of the community. He held that it had paid in specie long after all other Western banks had suspended, and explained that suspension was an act of self-defense against St. Louis brokers. The bank, he maintained, paid out specie to farmers when they needed it to enter on their lands.⁵² The facts do not seem to indicate that at this time the credit of the bank was as high as Bainbridge said it was. In the spring of 1842 the bank's notes fell to a low point in the chief commercial cities. In a letter to an Iowa friend dated February 28th, a gentleman in St. Louis stated that notes of the Miners' Bank of Dubuque were no longer received in that city, "and the prevalent impression is, they will go entirely down."⁵³

CHANGE OF OWNERSHIP

In June, 1842, the controlling interest in the bank was bought by men connected with the St. Louis Gas Light Company. The new cashier, Mr. Pearson, had been one of the principal clerks in the employ of the Gas Light Company, while the new directors were all prominent business men of Dubuque.⁵⁴ From testimony given at a later legislative investigation it is learned that all of the directors were qualified to act as such by having certificates for \$50 of bank stock handed to them. One of their number, Timothy Davis, further testified that he intended to return the stock when he ceased to act as director. In July an effort was made to resume specie payments, \$20,000 in specie having been deposited in a Galena bank by the St. Louis Gas Company. For about a week the bank did redeem its notes.⁵⁵

In spite of these efforts at restoration, the bank does not appear to have carried on much business at this time. In an

Iowa City newspaper in December, 1842, there is a news item to the effect that Thomas Rogers of the Dubuque delegation intended to introduce a bill to repeal its charter. After stating this fact the paper says: "It is pretty well known that that institution is not at present doing any business, and has but little paper afloat. From these causes very limited interest is felt on the subject of the continuance of its charter."⁵⁶

ATTEMPT TO REPEAL THE CHARTER

In the Fifth General Assembly of the Territory of Iowa, which convened at Iowa City on December 5, 1842, the perennial question of the Miners' Bank came up early in the session. A bill to repeal the charter, introduced in the House of Representatives early in January, 1843, was referred to a select committee consisting of one member from each electoral district.⁵⁷ Two weeks later the committee submitted a majority and a minority report. Both reports were in favor of repealing the bank's charter, but they differed upon the plan to be followed in closing up the affairs of the bank.

The majority report set forth three distinct points upon which the bank had violated its charter: (1) it had commenced issuing notes without having the required \$40,000 in specie paid in; (2) it had on its board of directors men who were not bona fide stockholders; and (3) it had suspended payment of specie for its notes.

The minority report did not dissent from any of these charges, and the evidence submitted supports the decision of the committee. Witnesses examined were J. T. Fales, Chief Clerk of the House and a resident of Dubuque, Timothy Davis, a bank director, and M. Mobley of Springfield, Illinois, who had been employed by Dr. Richard Barrett and Thomas Mather, principal owners of the bank, to examine the condition of the institution.

Mr. Fales testified that he believed "the stock subscribed was never paid in any other way than by the stockholders giving their notes to the institution." Mr. Davis also testified to the same effect. No evidence could be found by the committee to show that any more than a small amount was actually paid in in legal coin of the United States.

Upon the second point there is positive testimony from Mr. Davis that he had not invested one cent in the institution, but had been given a certificate for \$50 of stock paid in to qualify him to act as a director. Moreover, he testified that Messrs. Farley, Waples, Quigley, and Wallard were qualified and became directors in the same manner as he did.

Upon the question of suspension of specie payments there was likewise no doubt. With the exception of about a week in July, 1842, the bank had not redeemed its notes in specie since March, 1841. The testimony of Mr. Fales shows the resulting depreciation. He said that in the store of Mr. Quigley, one of the directors, he had been paid forty cents on the dollar for the notes, in spite of a notice in the store "*Notes of the Miners' Bank of Dubuque*, taken here." When he left home they were worth from thirty-seven to forty cents on the dollar.

A bill for the repeal of the bank's charter passed the House by a unanimous vote,⁵⁸ but failed of passage in the Council.⁵⁹

CHARGES OF BRIBERY

While the bill to repeal the charter of the bank was pending in the legislature, charges were made in the *Iowa Capital Reporter*, a newspaper published in Iowa City, that certain members had been influenced in their action by offers of "personal reward and private advantage". A committee of five was appointed to investigate these bribery charges and report on the same.⁶⁰

On the first of February this committee made its report.

They had investigated the matter thoroughly and submitted a mass of testimony to the House. The first witnesses examined were the editors of the *Iowa Capital Reporter*, Thomas Hughes and Jesse Williams. From them the committee learned that letters had been written by Dr. Richard Barrett of Springfield, Illinois, to certain members of the House and Council, designated by name, asking them to assist in saving the bank's charter until such time as he could consummate arrangements to buy out the interests of the bankrupt Gas Light Company of St. Louis. Included in the evidence presented were four letters directed to James M. Morgan, Shepherd Leffler, Francis Springer, and William Patterson—these being the only ones received by members of the legislature according to their own sworn testimony. In the letter to Mr. Morgan there are offers of private and local advantage in case the charter was saved; in the other letters there was no suggestion of personal advantage, but merely a statement of the purpose of Dr. Barrett and his request for the support of these members to save the bank's charter in the public interest.

The resolutions presented by a majority of the committee condemned Dr. Barrett and Mr. Mobley, who had delivered the letters, for their action in seeking thus to influence legislation. Mr. Morgan was cleared from suspicion and his actions were shown to be free from influence. The *Iowa Capital Reporter* was denounced for having made a charge "utterly untrue and highly reprehensible in its character". The majority of the committee, therefore, deemed the editors as deserving the censure of the House. Upon this point a minority of the committee, George Hefner and Henry Felkner, disagreed. They believed that the revelations were of an alarming nature and justified the editors in being suspicious that the offers might not have been wholly without effect. Furthermore, they did not believe such censure to be within the jurisdiction of the House: they

held it to be beyond the power of the legislature to punish or censure an individual for speaking against its members. The reports of both the majority and the minority were laid on the table and no further action taken.⁶¹

Although this closed the official action on the bribery charges, so much feeling had been aroused that two of the principals of the bribery investigation engaged in personal recrimination. The controversy, indeed, became so hot that the editor of the *Reporter*, Jesse Williams, was given a beating by George H. Walworth, of the legislature, in the Capitol library. The Iowa City newspapers took opposite sides, the *Standard* sharply criticizing the action of the *Reporter* and in its columns graphically writing up the thrashing of the rival editor. There was no effort to conceal the fact that the *Standard* was pleased at the resulting disgrace.⁶²

OPPOSITION IN THE SIXTH LEGISLATIVE ASSEMBLY

Opposition to the Miners' Bank was again manifest early in the session of the Sixth Legislative Assembly. The first bill introduced in the House of Representatives was one to repeal the bank's charter. When called up a few days later, the bill was considered in Committee of the Whole and reported to the House for passage. Action was delayed by a motion to lay the bill on the table until January 2nd because information had been received that memorials relative to the bank were in circulation in Dubuque and Jackson counties. This motion had precedence and was passed by a majority of one vote.⁶³

As soon as the Legislative Assembly convened after its holiday recess, a number of petitions and letters of instruction to county delegations were received by the House. Each of these letters of instruction—one signed by 1172 citizens of Des Moines County, one signed by 173 citizens of Clinton County, and one signed by 213 Jackson County

constituents—urged the respective delegations to vote for a law to force the Miners' Bank either to resume specie payments or close up its business. On the other hand, a petition from 559 citizens of the counties of Dubuque, Delaware, and Clayton asked that more time be given the bank to resume specie payments.⁶⁴

When the bill came before the House for discussion, several attempts were made to amend. These amendments, amounting in one or two cases to a new bill, provided for the continuation of the bank's charter if it met certain conditions. The first of these amendments would have forced the bank to mortgage to the State \$400,000 worth of land to secure the payment of its notes. This was rejected, but later a vigorous fight was made to save the bank's charter by amending with a similar land mortgage clause. Finally, amendment having proved futile, the bill was brought to a vote in substantially its original form. This called for the repeal of the bank's charter and the winding up of its affairs, and the vote stood eighteen to seven in favor of such action.⁶⁵

An interesting suggestion appears in a petition from Iowa City presented by Thomas Rogers on the day following the vote but before the final engrossment of the bill. In this petition the legislature was asked to resuscitate the bank, "Provided, that the Stockholders cause to be paid into the office of the Secretary of the Territory the sum of \$10,000, as a bonus; the said sum to be appropriated for the encouragement of the emigration of marriageable females from New England to this Territory."⁶⁶

The bill for the repeal was sent at once to the Council and was there referred to a select committee. Petitions were also submitted to the Council by citizens of various counties. The report of the select committee substituted a new bill—with the exception of the enacting clause—which would have compelled the bank to resume specie payments

within thirty days and have made its notes redeemable at par in gold or silver in Burlington, St. Louis, and New York, as well as at the bank at Dubuque.

When this bill was later considered by the Council, stringent amendments were added. The President, directors, and stockholders were made individually liable to the note holders in case of failure of the bank to pay specie for its notes. This was an unconditional and unlimited personal liability of stockholders. A further amendment prohibited the bank from importing and vending in the Territory bills of less denomination than \$5. In its final form the bill passed the Council by a vote of ten to three.⁶⁷ The House bill had provided for immediate repeal of the bank's charter; while the amended bill which passed the Council gave the bank thirty days in which to resume specie payments, and, if it did so and continued in business, provided for a sound form of regulation. The notes that this bill would have permitted the bank to circulate would have been far superior to many notes then circulating in the Territory. But when the amended bill was presented in the House, that body refused to concur by a vote of fourteen to eleven.⁶⁸ The bill was returned to the Council where it was laid on the table until "the Fourth of July next".⁶⁹

Thus closed the legislative record for another session. Again it seemed to have been the desire of both branches of the Assembly to take action, but they failed to get together on a bill.

RESUMPTION OF SPECIE PAYMENTS

When the legislature had adjourned its session, the bank did on its own initiative what the legislators failed to require of it: on April 19, 1844, it resumed the payment of its liabilities in specie. Thereafter, until the repeal of its charter and final closing, the bank "promptly met all its liabilities." This resumption came after a change in the

management and control of the bank—M. Mobley of Springfield, Illinois, being the new cashier.⁷⁰

The extent to which the public gained by this resumption is not clear. The *Iowa Capital Reporter*, an anti-bank paper, charged that the new owners could adopt this course with perfect safety to themselves, because they had purchased, through their agents, all of the outstanding liabilities of the bank. In so doing, it was claimed, they realized a considerable profit by purchasing these obligations "at a discount of 75 or 80 per cent."⁷¹ There is not sufficient evidence to prove the truth or falsity of this charge. The extreme partisanship manifested by the anti-bank faction leads one to discount the statement somewhat. On the other hand, it is unlikely that foreign stockholders would put a defunct institution on its feet primarily for the benefit of its creditors. Moreover, the probability of a legislative repeal of the bank's charter was so great that conservative investors would not have risked much on its future. Whatever may have been the motive, resumption at this time did not restore the bank to the popular favor.

REPEAL OF THE BANK'S CHARTER

One of the first bills brought before the House of Representatives in the Seventh Legislative Assembly was for the repeal of the charter of the Miners' Bank. No further charges were made against the bank at this time. There was a recital of the former illegal practices of the bank and a statement of the authority by which the legislature might repeal the charter. In conferring upon the stockholders their corporate powers and privileges, the legislature had reserved to itself and its successors the right "that if said corporation . . . shall abuse or misuse their privileges under this charter, it shall be in the power of the legislative assembly of this territory, at any time, to annul, vacate and make void this charter."⁷²

The bill for the repeal of the bank's charter was passed unanimously by the House and concurred in by the Council by a vote of eleven to one. It became law without the signature of the Governor on May 21, 1845, and was to take effect twenty days after its passage. According to the provisions of the bill, the judge of the third judicial district was empowered to appoint two trustees with full power to settle the affairs of the bank. Certain points as to the manner of settlement were specified, among which was the provision that notes of the bank must be accepted at par in payment of all debts due to the bank. This is evidence that bill holders were probably not losers in the final settlement.⁷³

Before the trustees were appointed the directors of the bank issued an address to the people of Iowa as a protest against the action of the legislature. It consisted largely of an historical review of the operations of the bank. The action of the bank in suspending specie payments is especially defended. With a single exception every bank west of the Alleghanies had suspended. It was pointed out that the first suspension was made long after most other banks in the West had suspended and only because of the unfair action of note speculators. The bank resumed payments about a year later and its directors maintained that it could have sustained them but for disappointment over a draft. The directors very justly claimed that the legislature was unfair in attacking it—especially since at the same time it failed to pay a debt of \$5500 plus interest due from the Territory. In 1842 this debt amounted to \$6000 or \$7000, which if paid would have enabled the bank to continue specie payments.⁷⁴ The address closes with the statement that the officers would not submit to the action of the legislature without a fight, and before the directors gave possession to the trustees they intended to settle the matter in the courts.⁷⁵

This threat was later carried out. In August, 1845, Judge Wilson appointed Benjamin Rupert and John G. Shields

trustees to settle up the affairs of the bank.⁷⁶ The directors refused to turn over the property of the bank to the trustees and suit was brought in the November, 1845, term of the district court. By a rejoinder the bank raised the point that the legislative act was passed without notice to them and without any evidence of abuse or misuse of their corporate powers and privileges. To this the plaintiffs filed a demurrer which was sustained by the court. The case was appealed by the bank directors to the Supreme Court of the Territory of Iowa, where the decision of the lower court was sustained.⁷⁷

The case was then submitted to the district court for trial upon the question of the constitutionality of the repeal of its charter. Here the repeal was held to be constitutional, and again the case was appealed. In the July, 1848, term of the Supreme Court of Iowa, the decision of the lower court was once more upheld,⁷⁸ with the result that the trustees were given legal possession of the bank. In the three intervening years, however, the affairs of the bank had been settled and it had ceased to exist. On February 25, 1849, the final meeting of the directors was held to close up their connection with the bank.⁷⁹

In looking back upon the career of the Miners' Bank it is difficult to judge to what extent it was marked by mismanagement and fraud and how far it was the victim of the disturbed economic and political conditions of the times. It seems rather clear that at the time of organization the bank did not comply with the charter requirements regarding stock payments and specie holdings. Its suspension in 1841 appears to have come at a time when it was in reasonably sound condition and to have been due largely to the financial conditions of the period. From that time on its record was rather doubtful. It filled its board with "dummy" directors in order to meet the residence requirement

of the charter; it was guilty of making improper offers to members of the legislature; and it promoted the circulation of notes of neighboring "wild cat" institutions—but these would doubtless have found their way into the circulating medium of the Territory without its aid.

The loss to the community through depreciation of the bank's notes can not be accurately estimated. It is certain from testimony given at one of the investigations that the notes fell as low as forty cents on the dollar. In the report of the investigating committee of 1843 it was stated that the bank had made arrangements with the land office by which the bills were to be received in payment for land to "some small extent." Whatever losses were experienced must have fallen largely upon the bill holders, for deposits never constituted a considerable portion of the liabilities of the bank. At the time of suspension of specie payments in 1841, at the high point in the bank's career, the published statement showed individual deposits of only a little over \$6000 as compared to \$97,000 of notes in circulation.⁸⁰

In the early opposition to the Miners' Bank of Dubuque there is no evidence of party alignment. Personal and local considerations were manifested in the votes. But later opposition became a party issue. In the debates regarding the proposed repeal of the bank's charter in the Fourth Legislative Assembly (1842), the attitude of the parties was first clearly brought out. The business of banking was as much the object of attack as was this particular bank. While party lines were ignored at times during this and the subsequent session of the Legislative Assembly, in the final vote taken in the Sixth Assembly party lines were strictly adhered to. The bill before the House of Representatives called for the immediate closing of the bank; and in the final vote the eighteen Democrats voted for the passage of the bill, while the seven Whigs voted against it.⁸¹ In the Council the Whigs held the balance of power, and the action there

avored extension of the bank's charter on condition that it resume specie payments in thirty days. This was interpreted by the opponents of the bank as a defense of banking as such as well as an attempt to save the Dubuque institution. The repeal of the bank's charter by the Seventh Legislative Assembly was almost unanimous, only one vote being registered against it in both houses. The Democratic majority was by this time quite overwhelming.⁸²

III

PROHIBITION OF BANKING

During the Territorial period unsuccessful attempts were made to secure bank charters for at least three different institutions. In December, 1838, certain citizens of Jackson County petitioned the House for a charter for a bank to be established at Charleston in that county.⁸³ The petition was referred to the Committee on Incorporations and never heard of again. A second attempt was made to establish a bank in 1842, this time at Davenport in Scott County. The bill for incorporation was defeated in the House by a vote of twenty-one to two.⁸⁴ At the session of the Seventh Legislative Assembly in 1845, a petition was presented in the House of Representatives asking the legislature to charter the Bank of Iowa in Iowa City. This was to have been a stock bank with the right of note issue. The bill to incorporate the bank was referred to a special committee from which it never emerged.⁸⁵

In order to restrain unincorporated banking associations from issuing notes, the Territorial legislature passed an act in 1838 making unlawful the issue of notes or bank bills by individuals or firms, a penalty of \$1000 for each offense being fixed by the law.⁸⁶

In the history of the Miners' Bank, therefore, there is far more than a record of a typical western bank of its period. During the years of Iowa's Territorial history, the struggle went on between those who would deny to any form of bank the right of existence and those who favored banking with proper regulation. The members of the jury were the qualified electors of the Territory of Iowa: and their verdict will be found in the vote on the Constitution which made Iowa a State in 1846.

THE CONSTITUTIONAL CONVENTION OF 1844

When the Territory of Iowa was established in 1838 it had been prophesied that it would soon become a State. The movement for statehood was first given official endorsement by Governor Lucas in his message to the Legislative Assembly which met at Burlington on November 4, 1839. Support was not lacking for his proposal, but there was also strong opposition to the establishment of a State government at that time. Perhaps the leading objection concerned the matter of expense—the fear that the burden of taxation would be too heavy if the limited number of inhabitants undertook to support a State government. After considerable agitation and failure of the earlier attempts to secure a majority of voters in support of calling a constitutional convention, a convention was finally authorized by the people at the election of April, 1844.⁸⁷

On Monday, October 7, 1844, the delegates met in Iowa City to formulate a State constitution. Several days of the rather short session of the convention were devoted to a discussion of the question of corporations in general and of banks in particular. The bank issue had been a large factor in national politics and one of the most important points of division between Whigs and Democrats. The business of the convention was divided among eleven standing committees.⁸⁸ On October 11, 1844, the Committee on Incorporations reported, majority and minority reports being presented. The majority report provided that one bank might be established in the State with branches not to exceed one for every six counties. The regulations under which it might be created were stringent and included among others the following provisions: first, the bill establishing the bank and branches must, after passage by the legislature and approval by the Governor, be submitted to the people for approval or rejection; second, one-half the capital must be paid in gold or silver before the bank would be permitted to

commence operation; third, no note or bill should be issued of a denomination less than ten dollars; fourth, the stockholders must be liable without limit for all debts; fifth, the bank must pay its notes and promises on demand or forfeit its charter; and finally, the legislature must reserve the right to alter, amend, or repeal the charter.

To the banker of the present day some of these provisions would seem onerous and unnecessary, but to the minority members of the committee and to a considerable following in the convention the restrictions seemed to be too lenient. The report submitted by the minority members was brief but clean cut: "No bank or banking corporation of discount, or circulation, shall ever be established in this State." This was signed by Stephen Hempstead (later Governor of the State) and Michael O'Brien.⁸⁹

On October 19th the report came before the convention for consideration. A motion by Stephen Hempstead to strike out the majority report and insert the minority report called forth lively and extended debate.⁹⁰ In this debate there is evidence of the attitude toward banking then prevalent. Mr. Hempstead opened the debate in opposition to banks. He described three kinds of banks: banks of deposit, banks of discount, and banks of circulation. It was to the banks of circulation that he objected. He pointed out that such banks loaned their credit and not money; that the right to issue notes enabled them to loan two or three times the amount they possessed. Holding that the banks did nothing to create capital, he considered the loaning of their credit as usury.

Mr. Hempstead's analysis of the function of note issue is correct. Upon the second point, however, he was undoubtedly in error; for, while a bank may not serve directly in the production of wealth, it has been amply demonstrated that a properly conducted bank plays a very important role in promoting the prosperity of a community. Mr. Hemp-

stead's inability to see any good in banks is a commentary upon the banking practice of the time. In the course of his remarks he described the practice of a group of Massachusetts banks in which the specie required by law was assembled from all the banks and sent from one bank, as soon as it had been inspected by the bank commissioners, to the next one in order of inspection, the same coin thus serving for all. The practices in banking circles at that time, as described by other writers, would lead us to believe that Mr. Hempstead's story was no exaggeration.

As another evil of banking Mr. Hempstead pointed to the inflation of prices resulting from a large increase in the circulating medium with a consequent lessening of its value. Property acquired thereby a fictitious value, speculation was stimulated, and extravagance encouraged. He held that there would be less fluctuation if only gold and silver were used as money. It is probably true, as Mr. Hempstead argued, that many of the financial evils of the preceding decade had been due to the abuse of banking privileges. He feared that the evils so common in contemporary banking practice could not be eliminated from the proposed State bank.

The arguments and the position of Mr. Hempstead must be judged in the light of the banking practices of the day; viewed in this way, he can hardly be classed as unreasonable in his attitude. Some members went even further in denouncing banking. Richard Quinton of Keokuk County classed all banks as a "set of swindling machines". Some of the delegates professed to favor a bank of some kind—just what, they did not specify—but they were opposed to the plan presented by the majority report of the committee. Still others wished to leave the question to the decision of the legislature to be elected under the terms of the Constitution. Certain members announced that they were under instructions from their constituents to favor a bank and

would therefore cast a favorable vote, though in doing so they were acting contrary to their own convictions. A final effort was made to split on party lines.⁹¹ The Democrats, the anti-bank party, outnumbered the Whigs fifty-one to twenty-one. Although considerable party feeling was aroused, the vote was not along party lines. The motion to substitute the minority report, placing a total prohibition of banking in the organic law of the State, was lost by a vote of seventeen to fifty-one.⁹²

After extended debate and numerous roll calls on amendments to the banking section, it appeared evident that the constitutional convention was not prepared to formulate the details of a plan for a bank. At the same time there was unwillingness to have the Constitution left open on this matter. Distrust of the legislature was evidently at the bottom of the attempt to include details in a document which should be a flexible instrument. The only reason for placing greater confidence in the results of the convention would seem to have been that the action of the convention required ratification by popular vote. But to have submitted a detailed Constitution to the people for ratification would have resulted in losing the banking plan in a maze of other questions equally important and difficult. The members of the legislature were to be chosen by the same electors as had voted for the members of the convention. This body could have devised a banking act and submitted it to the people in definite form, if it were desirable to secure popular ratification. The public attention could then be focused upon that question alone and an adequate expression of public opinion gained by such a referendum.

When it became evident that the convention was in hopeless disagreement over the entire matter, a select committee of seven was appointed to bring in a new report.⁹³ The recommendations of this committee favored the rejection of the former report and the substitution therefor of a provision

that the legislature should create no bank or banking institution or corporation with banking privileges in this State unless the charter, with all its provisions, be approved by a majority of votes at a general election.⁹⁴ This met the contention that the question should not be left entirely to the discretion of future legislatures and avoided, on the other hand, the necessity for providing at that time the detailed regulations for banking.

The discussion thereafter centered on the section of the amended report which provided unlimited liability for stockholders of all corporations. Ebenezer Cook of Davenport contended that the convention had gone as far as it intended to go when it applied unlimited liability to stockholders of corporations with banking privileges. Certain other members also argued that a distinction should be made between banks and general corporations in this respect. These members were anxious to attract manufacturing industries, railroads, and other industrial enterprises to the State they were building. Ordinarily the capital required for such projects would necessitate the corporate form of organization; but, it was asserted, investors would be deterred from putting their money into an enterprise where there was an unlimited liability.⁹⁵

This debate is of especial interest as an early attempt to differentiate between the stockholders of banks and those of other corporations. To-day the almost universal practice is to make the liability heavier for stockholders in banking corporations. Most States have followed the national banking law in this respect and have prescribed double liability for stockholders in banks. But, in spite of the efforts of the more liberal members, the corporation article as finally passed contained a section placing unlimited liability on the stockholders of all corporations.

The section of the corporation article relating especially to banks provided that the legislature should not create a

bank or banking institution unless the charter with its provisions should be submitted to a vote of the people at a general election and be endorsed by a vote of the electors. The State was prohibited from becoming a stockholder directly or indirectly in any bank or other corporation.⁹⁶

In order to make valid the work of the constitutional convention, approval of Congress and ratification by the electors of the Territory were necessary. Congress found no objection to the proposed Constitution, but materially reduced the area included within the new State. This reduction was strongly opposed by the inhabitants of the Territory. When submitted to the voters of Iowa, the Constitution was twice defeated. Although there was considerable partisan objection to the Constitution aside from the change of boundaries by Congress, it is likely that its defeat was due principally to the boundary question. At any rate there is little evidence that the banking section was a decisive factor in bringing about its defeat.⁹⁷

THE CONSTITUTION OF 1846

In spite of the rejection of the Constitution of 1844, the people of the Territory of Iowa were desirous of statehood. Governor James Clarke had served as a delegate in the Convention of 1844. Although his attitude was favorable to State organization he took no active steps to secure it. But the Legislative Assembly in 1845-1846 was ready to act, and so authorized an election of delegates for another constitutional convention. At the township elections in April thirty-two delegates were selected to meet at Iowa City on the first Monday of May, 1846. This time the draft of the Constitution as prepared by the convention was to be submitted to the people for ratification or rejection before its presentation to Congress. In this way it was hoped that changes by Congress—which had resulted in the rejection of the Constitution of 1844—would be forestalled.⁹⁸

The election of delegates proceeded along party lines in spite of the efforts of the Whigs to secure a non-partisan selection. In all of the Democratic nominating conventions the delegates were instructed to vote against banks.⁹⁹ In the discussions and resolutions of these conventions the party attitude concerning banking was vigorously stated.¹⁰⁰ The election returns gave the Democrats twenty-two delegates out of the total number of thirty-two¹⁰¹ thus assuring them a working majority in the convention and a large number of delegates who were unfriendly to banking interests.

On May 4, 1846, the convention assembled at Iowa City and continued in session just fifteen days. The report of the Committee on Incorporations contained a positive prohibition of corporations "with banking or discounting privileges." A futile effort was made to substitute for this recommendation an amendment which would leave the whole matter of corporations to the future legislatures.¹⁰² By a union of Whigs and the more moderate anti-bank Democrats a substitute for the section prohibiting banking was passed which would have enabled future legislatures to create banking corporations by law, provided the law in question was first submitted to the people for confirmation. This substitute was amended so as to require publication of the act for at least twelve successive weeks in at least twelve weekly newspapers of the State, at the expense of the applicant for a charter, before it could be submitted to a vote. Finally, after further discussion and amendment, the entire report was struck out and by a vote of twenty-one to nine was replaced by two sections which became, with a change only in paragraphing, the "Article on Incorporation" that was finally approved by the convention.¹⁰³ Once more the power to establish banks was taken out of the hands of the members of the legislature and a definite prohibition of banking was made a part of Iowa's fundamental law.

BANKING PROHIBITED

Article IX in the Constitution of 1846 dealt with incorporations and read as follows:

1. No corporate body shall hereafter be created, renewed, or extended, with the privilege of making, issuing, or putting in circulation, any bill, check, ticket, certificate, promissory note, or other paper, or the paper of any bank, to circulate as money. The General Assembly of this State shall prohibit, by law, any person or persons, association, company or corporation, from exercising the privileges of banking, or creating paper to circulate as money.

2. Corporations shall not be created in this State by special laws, except for political or municipal purposes, but the General Assembly shall provide, by general laws, for the organization of all other corporations, except corporations with banking privileges, the creation of which is prohibited. The stockholders shall be subject to such liabilities and restrictions as shall be provided by law. The State shall not, directly or indirectly, become a stockholder in any corporation.¹⁰⁴

When the Constitution of 1846 was before the people for ratification the bank clause came in for considerable discussion. The Democrats had a large majority among the voters of Iowa, and they were emphatic in their support of the prohibition of banking. In an article on this feature the *Iowa Capital Reporter* maintained that the convention had been doubly instructed to insert a prohibitory clause against banking—"first, by the rejection of the instrument which *did not* prohibit them—and secondly, by the most unequivocal expressions of the people at their primary assemblies and through the ballot box." This mandate the delegates had heeded, for in the final vote on Article IX not a single Democrat had opposed prohibition.¹⁰⁵

Opposition to the Constitution was not confined to this article, but there was considerable feeling especially among the Whigs upon this issue. In an editorial comment on the

Constitution, *The Iowa Standard* (Whig) urged the voters to meet the issue of bank or no bank by rejecting the whole Constitution. In case they deemed it more expedient to vote for the Constitution, the voters were urged to endorse on their ballots that they "*except the Ninth Article.*" In this way they would place themselves on record as being in favor of amendment as soon as the ratification by Congress granted the coveted statehood.¹⁰⁶

The arguments of Wm. Penn Clarke, in an address to the electors of Johnson and Muscatine counties, clearly set forth the effects which would follow the prohibition of banking. He stated that inhibition of banks would not be inhibition of bank paper: it would only substitute a foreign for a home currency, one not subject to the laws of Iowa. Opponents of banking urged "hard money", but Mr. Clarke prophesied that under existing conditions they would get a currency "well mixed" in which notes of banks having no credit at home would predominate. He believed that so long as other States had banks and bank paper, Iowa could best protect herself from foreign notes by establishing banks of her own. From local institutions would emanate notes controlled by Iowa legislation, and these banks would aid in driving out foreign notes. Failure to provide banks would permit Iowa to become the "plunder ground of all the Banks in the Union."¹⁰⁷

By a narrow margin the Constitution of 1846 was accepted by the voters at the August election. Congress accepted the instrument, and on December 28, 1846, the State of Iowa was admitted into the Union.¹⁰⁸ For nearly twelve years the prohibition of banking contained in the State Constitution remained in force; and during that time the forebodings of Wm. Penn Clarke were fully realized.

IV

FRONTIER BANKING IN IOWA

1846-1858

When Iowa entered the Union in 1846 the census gave the population of the State as 102,388. At that time twenty-nine counties were organized, and these were located mainly in the eastern third of the State. During the first decade of statehood seven enumerations were taken, including the Federal census of 1850. Most of these were more or less incomplete and inaccurate, but they reveal fairly well the rapid growth of the new State in population and economic resources. By 1856 the population had reached 517,875—nearly all the present counties reporting inhabitants. Indeed, only a few counties in the northwestern part of the State were without settlements.

Great waves of immigration had swept in from the older States—especially from Pennsylvania, New York, Ohio, and the New England States. Moreover, the failure of the revolutionary movements of 1848 in Europe increased the current of foreign immigration to America, and Iowa attracted a fair share of these people. The increase of population and the development of the Commonwealth was checked somewhat by a severe crop failure in 1858, but it was clear to all that Iowa was destined to become a well-populated and prosperous section. This expectation was soon fully realized, for within a decade after the close of the Civil War, nearly a million and a half persons were resident in Iowa.

If the increase in population was remarkable, even more noteworthy was the development of the agricultural and industrial resources of the State. The acreage in farms in 1850 was 2,736,064; by 1856 it had more than trebled, total-

ing 8,559,437. And the production of cereals also kept pace with this growth. The wheat yield in 1855 was more than three times as much as in 1849. Corn production during the same time increased from 8,656,799 bushels to 31,163,362 bushels. Oats yielded nearly four times as much in the latter year as in the former. In 1849 only 276,120 bushels of potatoes were produced, while in 1855 the output was 2,014,388 bushels. Butter, cheese, and meat production show an increase no less marked. Large production was accompanied by exceptionally high prices during 1855-1856 because the Crimean War had cut off Russia from the markets of Western Europe.

Even though then as now Iowa was primarily an agricultural State, the beginning of manufacturing is discerned. This branch of industry, which at the time of the census of 1840 was almost non-existent, yielded products valued at \$3,773,075 in 1850 and \$14,289,015 in 1860. In 1854 the first railroad was completed between Lake Michigan and the Mississippi River opposite Davenport; and in the following year the first locomotive entered the State.¹⁰⁹

INHIBITION OF BANKING

It might be expected that during this time banks would be developing *pari passu* with the growth of the State. That this was not the case is due to the fact that the course of normal banking development was blocked by the corporation article of the Constitution of 1846.

It is difficult to determine accurately the real purpose of the authors of the clause of the Constitution prohibiting the creation of corporations with banking privileges. Unquestionably the main purpose was to prevent banks of issue, but whether or not the framers of the Constitution intended to strike at banks of discount and deposit is not so certain. The function of note issue occupied the chief place in the public thought concerning banks. It was as note-issuing

institutions that they played the greatest part in the economic life of the community; and so in those days it was regarded as virtually equivalent to a prohibition against banking to prohibit the issuing of circulation of any kind.¹¹⁰ The evils of "wild cat" banking had become so intolerable, however, that absolute prohibition seemed the only safe course. That Iowa was not alone in adopting this method of checking the evils is shown by the fact that in 1852 there were nine States and the District of Columbia in which banking was illegal.¹¹¹

In the debates in the constitutional convention some of the strongest opponents of banking made a distinction between banks of issue and banks of deposit and discount. No exception in favor of banks of discount or deposit was made, however, in the language of the Constitution of 1846. If the proper interpretation may be judged from a resolution passed by the Democratic convention held in Iowa City on September 24, 1846, it appears that the people wished to prohibit all forms of banking. Referring to the vote on the Constitution which had been taken on August 3rd preceding, the platform makers held that this is "a decisive indication of public sentiment against all banking institutions of whatever name, nature, or description."¹¹²

The opposite interpretation may be arrived at from the first sentence of the article on corporations, in which the prohibition rests upon banks or corporations issuing some form of circulating medium. No record can be found of a court ruling upon the point of what was included under banking privileges in Iowa from 1846-1858.¹¹³

Uncertainty is likewise reflected in the legislation of the period. Before 1846 the practice in Iowa had been to grant charters to corporations by special act of the legislature. Under the terms of the State Constitution that practice was specifically prohibited so far as corporations for profit were concerned. The legislature was directed to pass a general

incorporation law—an action taken early in the session of 1847. Since the Constitution had definitely forbidden corporations with banking privileges, there is nothing in this law that specifically concerns banks.¹¹⁴ It may be inferred from the number of private institutions which sprang up during the decade after 1846 that prospective bankers were either unable to see any advantage in incorporation or else were very doubtful as to the possibility of incorporation. No action appears to have been taken by the legislature to supplement the prohibitory clause of the Constitution until the enactment of the *Code of 1851*.

One section of this Code prohibits the formation of banking associations with the privilege of issuing circulation. Any person becoming a subscriber to, member of, or in any manner interested in, such associations or company was liable to fine and imprisonment. Directors of any incorporated company which used any of its funds to aid in putting out circulation were also liable to the same penalty. Notes given to any company violating these sections were void. Finally, it was provided that, "No person, association, or corporation, shall issue any bills, drafts, or other evidences of debt to be loaned or put in circulation as money or to pass or to be used as a currency or circulating medium; and every person, association, or corporation, and every member thereof, who violates the provisions of this section shall be punished by a fine not exceeding one thousand dollars."¹¹⁵

Of course in a progressive young State financial institutions were inevitable. Realizing the demand for some kind of banking facilities, keen business men were quick to meet the need by the establishment of unauthorized private banking houses. The origins of these early banks are difficult to trace, for in most cases they go back to a commission business, a land agency, a law office, a general store, or other recognized business. At first merely one department of the general business, banking eventually became so important

that the other features were eliminated, and banking became the sole business.

EARLY BANKS IN THE MISSISSIPPI RIVER TOWNS

In the early days of statehood the larger towns of the State were located along the Mississippi River, and in them is found the beginnings of private banking. It would be interesting to describe in detail these beginnings, but scarcity of data makes this impossible. Such records as are available, however, afford considerable information concerning the earliest banks and some interesting pictures of the banking of that day. Of contemporary accounts, the story of early banking by Major Hoyt Sherman, a pioneer banker of Des Moines, takes high rank. He states that the only institutions that could be called regular banks in the early fifties were located in the river towns. He names Charles Parsons, of Keokuk; Coolbaugh and Brooks, of Burlington; Greene and Stone, of Muscatine; Cook and Sargent, of Davenport; W. J. Barney and Co., and Langworthy Bros., of Dubuque.¹¹⁶

The honor of being the oldest established bank in Iowa is now claimed by the National State Bank of Burlington. Located on the Mississippi, the city of Burlington is one of the oldest towns in the State; it was the temporary capital of the original Territory of Wisconsin and the first capital of the Territory of Iowa. Until 1860 it was the largest city in Iowa. The National State Bank traces its lineage back to F. J. C. Peasley who was doing a banking business in connection with a forwarding and commission business in the year 1842 or possibly earlier.¹¹⁷ This institution with numerous changes in organization has been in continuous existence since that time. Probably its banking business was not the most important in that early day. In the local paper of the time is found an advertisement of "Francis J. C. Peasley, Forwarding and Commission Merchant, Water

Street". Although no reference is made to the banking business,¹¹⁸ the claim of the National State Bank to being the oldest of Iowa banks can probably not be successfully disputed. In the early fifties its successor, Coolbaugh and Brooks, was a prominent institution which in 1858 became one of the original branches of the State Bank of Iowa.

Banking in Davenport originated in 1847 in connection with a general land agency conducted by Cook and Sargent. This firm early took a high place among the banks of the State and was considered one of the strongest banks in the Northwest. Branches were established at Iowa City and Fort Des Moines. One contemporary, writing at a later date, describes them as the "Pierpont Morgans of the day".¹¹⁹ In May, 1857, the firm moved into a handsome new three-story limestone building costing \$75,000 which was said at the time to be the finest bank building west of New York City. The second bank in Davenport was the firm of Macklot and Corbin, established in 1852. Austin Corbin later became President of the First National Bank of Davenport which was the first national banking association to commence operations in the United States.¹²⁰

Early banking at Dubuque centered about the Miners' Bank. After the repeal of its charter in 1845 other banking institutions soon appear to have developed but the records concerning them are uncertain and contradictory. The first of these seem to have originated in 1849 under the names of Finley Burton and Company, and Jesup and Stimson. M. Mobley, W. J. Barney and Company, and Langworthy Brothers date from the early fifties.¹²¹ These three institutions, together with the firms of F. S. Jesup & Company, Taylor, Richards & Burden, and Herron Brothers, are listed in the Dubuque City Directory of 1856-1857. Dubuque appears to have furnished an early example of a financial district within the city, for these six banks were all situated near together on Main Street.¹²²

George C. Anderson appears to have been the pioneer banker of Keokuk. He conducted his banking business in connection with a wholesale grocery and supply house. First opened in 1846, the bank was conducted as a broker's office. Later Mr. Anderson devoted his entire time to banking until his death in 1867. In 1852 Charles Parsons opened the second bank in Keokuk.¹²³

Lyons was the pioneer seat of banking in Clinton County. A. C. Root in 1845 established a private bank there and this bank was later merged into the First National Bank of Lyons.¹²⁴

At Muscatine banking seems to have developed first in a store operated by Greene and Stone. Joseph Greene was engaged in the mercantile business in the early forties. About 1851 this business house became the first bank of the city, and it continued to operate until the panic of 1857, when it failed, its business being soon afterwards liquidated. The second bank at Muscatine was opened by Isett and Brewster.¹²⁵

The first bank at Fort Madison was established in 1854 as a branch of the banking house of E. H. Thomas and Company of Burlington. It was bought by Knapp and Eaton in 1856, became a branch of the State Bank of Iowa in 1858, and was succeeded in 1865 by the Fort Madison National Bank.¹²⁶

EARLY BANKS IN THE INTERIOR TOWNS

Banking facilities developed in the interior towns in very much the same way as at the Mississippi River points. Iowa City was the State capital until 1857, and here the pioneer bankers appear to have been the firms of Cook, Sargent, and Downey—a branch of the Davenport firm of Cook and Sargent—Culbertson and Reno, and J. H. Gower Brothers and Company. Dealing in exchange, making collections, and handling land warrants were features of their early business. Scholte and Grant at Pella and Charrnaud and

Nichols at Newton were bankers in other localities whose advertisements early appeared in the newspapers of the capital city.¹²⁷

The pioneer bankers in Cedar Rapids were the firm of Weare, Finch, and Company, whose business dates back to 1850 or 1851. An indication of the capital required by the pioneer banker is given by the fact that S. D. Carpenter was offered a fourth interest in the firm for \$500. He would gladly have bought in as a partner, but found it impossible to raise the \$500. By the practice of his profession as a physician and land speculation on the side he was able to accumulate enough to become a partner in a firm of bankers a few years later. The second Cedar Rapids bank was started by Ward and Bryan in 1852 or 1853, but because B. S. Bryan bought a new top buggy and a fine horse public suspicion was aroused and the bank was forced to close its doors. The original firm of Weare, Finch, and Company soon became the firm of Greene and Weare. This institution grew rapidly and established branches in Des Moines, Council Bluffs, Omaha, Fort Dodge, Sioux City, and other Iowa points. Later it controlled one of the famous Iowa-Nebraska banks. It alone of the Cedar Rapids banks survived the first shock of the panic of 1857. All the others failed "for want of money".¹²⁸

At Des Moines and Fort Des Moines the early banking firms as given in a list of banks in Iowa published in 1855 were Cook, Sargent, and Cook; Greene, Weare, and Rice; Macklot, Corbin, and White; and Hoyt Sherman and Company.¹²⁹ A prominent banker of Des Moines was B. F. Allen, whose banking house was opened in 1855. Allen and Sherman were apparently the leading local men in Des Moines to engage in the banking business—the other banks being identified with institutions in other cities. These men later organized the Des Moines branch of the Iowa State Bank.¹³⁰

The earliest bank at Waterloo was opened in 1854 by A. P. Hosford and Edmund Miller. A little later John H. Leavitt established a private banking house, which afterwards became the Leavitt and Johnson National Bank.¹³¹ W. H. Tuthill at Tipton, Henn Williams and Company at Fairfield, and Norman Everson at Washington, were other bankers in interior towns whose business was established before 1855.¹³²

There is no pretense that the above list includes all interior banks established prior to 1855, but those mentioned are some of the more important pioneer private banks.

EARLY BANKS IN THE MISSOURI RIVER TOWNS

The Missouri River towns of most interest in pioneer days were Council Bluffs and Sioux City. Council Bluffs was the gateway to the western gold fields through which hundreds of immigrants passed. Near there, too, the Mormons settled before moving on to their Utah home. It was an important river point, and in 1853 the United States land office was opened in the city. Very shortly afterwards the first bank appeared. This was a branch of the Cedar Rapids firm of Greene and Weare, the firm being known as Greene, Weare, and Benton. The firm of Officer and Pusey, a banking institution prominent in the subsequent history of the city, seems to have been established about the same time, for there is an account of its moving its place of business in 1856. By 1856 five banks were located in Council Bluffs.¹³³

Sioux City's first bank was also connected with the well-known firm of Greene and Weare. In 1855 United States land registry offices were opened in Fort Dodge and Sioux City. George Weare, a younger brother of John Weare of Cedar Rapids, was sent out to represent the banking firm. After a month in Fort Dodge, Mr. Weare moved on to Sioux City via Council Bluffs. He arrived in his new location the day after Christmas, 1855. The bank which Mr. Weare

started was opened in the log house in which Dr. S. P. Yeomans, the register, was conducting the government land office. The front room on the ground floor, a room about 12 by 15 feet, was the land office; Dr. Yeomans's family occupied the rear of the building; and in the second story of this house Mr. Weare established his bank. His capital consisted of \$1000 in gold and some land warrants; and his equipment was a dry goods box for a counter "and a tin box about the size of a woman's cake box for a safe." By the summer of 1857 there were seven banks in Sioux City. There is one other claimant for the distinction of being the first bank in Sioux City. The firm of Cassady, Myers, and Moore opened an office in October, 1855. Its name was soon afterwards changed and its business seems to have been more on the order of that of a modern real estate office. George Weare lived to celebrate, as President of the Iowa State National Bank, his semi-centennial as a banker in Sioux City; and the bank which he founded became one of the prominent institutions in northwestern Iowa and one of the oldest banks in the State under one continuous management.¹³⁴

FUNCTIONS OF THE PIONEER BANKS

The early banks of Iowa numbered among their most important functions transactions connected with real estate. Often they were little more than real estate agencies at the outset. The government lands in Iowa were being opened for purchasers at \$1.25 per acre. Land warrants had been granted to veterans of the War of 1812, the Mexican War, and Indian wars; and these warrants were bought and sold on the eastern exchanges at eighty-five to ninety cents an acre. They were acceptable at a government land office in payment for land at \$1.25. The banker usually included land warrants among his assets, for one of his leading operations was "entering land on time". While land was sold

by the government to the settler for \$1.25 per acre, payments must be in cash and only specie was accepted under the terms of the Specie Circular of 1836. The banker purchased the land from the government at the regular rate and sold it to the speculator or settler usually at \$1.75 per acre on one year's time. His profit on the transaction was thus forty per cent in addition to what he may have made on the warrants. G. L. Tremain, first President of the Iowa Bankers Association, stated that he borrowed \$200 on 160 acres of land for which he paid \$320 at the end of the year. H. W. Sanford, the banker from whom he had made the purchase, had entered on the land with Mexican War land warrants, making the cost to him only fifty cents per acre.¹³⁵

In the boom days of new towns banks literally appeared in a night. S. D. Carpenter of Cedar Rapids describes a trip to Fort Dodge with John Weare, Jr., presumably in the fall of 1855 just after the opening of the land office at that place. They found there seven banks in full operation, one of which was operating in a tent. In the early days in Sioux City the banks were ready to undertake anything that pertained to land business. One or two institutions advertised "surveying done", while one house had a civil engineer and would do anything from running a road to building a bridge. It would pay taxes, collect debts, or sell a farm.¹³⁶

A second very profitable function of the early banks was dealing in exchange. The government required payment for land in gold. Eastern drafts of land buyers were an excellent investment. The land buyer was required to pay a good round sum for the gold. Merchant customers regarded the eastern drafts very highly and would pay well for them in order to make the necessary settlement for goods purchased. During the opening years of their careers most of these frontier banks were not in a position to provide eastern exchange regularly. Major Sherman says a call upon

the typical Iowa banker of the early fifties for a New York draft would have been "received with a stare of astonishment, or treated as a feeble joke."¹³⁷ By 1856, however, the Iowa City bankers were advertising to buy and sell bills of exchange on all the principal cities of the United States and Europe.¹³⁸

A third function carried on by the pioneer Iowa banker was collecting notes and bills, paying taxes for non-residents, and investing in land for eastern customers.¹³⁹ The deposit business was very meagre. In the time intervening between his arrival at the settlement and his purchase of land, the land buyer sometimes left his money with the banker. The Sioux City banks advertised that they would pay ten per cent for money which was deposited with them for thirty days or longer. The firm of J. H. Gower Brothers and Company of Iowa City offered the "EXTRA" inducement of ten per cent interest on special deposits for three months or more. This was in 1856, however, when the earlier pioneer stage was over. Some of the banks asked ten days' notice before paying regular certificates of deposit.¹⁴⁰ The tent bank that Dr. Carpenter described in his visit to Fort Dodge advertised that it would pay ten per cent on current deposits. Whether or not the probable stability of the institution was questioned by prospective depositors does not appear from the record.

The discount of notes and commercial bills of exchange, which forms so large a part of the business of the modern bank, was not an important function of the newly organized Iowa banks. Major Hoyt Sherman says that a call upon the pioneer bank for a discount would have been regarded with astonishment.¹⁴¹ Before the end of the period under discussion, however, the older Iowa banks were carrying on a regular deposit and discount banking business. Another activity which was a necessary part of the early bankers' business was the dealing in all kinds of current and non-

current money; but the treatment of this phase of their work can best be reserved until we examine the currency situation existing in the new State.

EQUIPMENT OF THE EARLY BANKS

The banking office of the middle of the last century would not be recognized as such by people of the twentieth century. To-day we recognize a bank on first sight by a number of distinguishing features; but in the early part of the latter half of the nineteenth century, the bank did not differ externally from other places of business. The office was generally in a cheap and ordinary one-story frame or brick building with few doors and windows. The building consisted of one and sometimes two rooms. In the front room, a plain, wide counter of pine or black walnut separated the banker from his customer. Little furniture was found in these early banks: in general a couple of chairs, a stove, a table, and a standing desk were sufficient. There were no individual cages for each employee, for often there was but one man who was the president, cashier, teller, bookkeeper, and janitor. Neither were there mahogany furnished waiting rooms for the comfort of the bank's customers. Anyone who wished to sit down might use the counter as a seat. There were no private rooms into which one might withdraw and hold business conferences—for these one might retire to the corner of the building most remote from the counter. In the bank of to-day the heavy steel safe with its time lock and ingenious combinations may be located in that part of the building which is considered to be most nearly burglar-proof and all precautions are taken to protect it. Contrast in imagination the modern vault with the banker's strong box of that generation, which has been graphically described in the following words:

That was the safe—the gorgeously painted and decorated sheet-iron safe—in which the treasures of the bank were nightly stored

. . . . the treasures and trusts were given in charge of that wonderful box, which would offer no more resistance to the modern burglar than if constructed of pine. The simple but unbounded confidence with which the banker in those primitive times nightly placed all his treasure in that safe, located in a cheap, pine shanty, and retired to his "peaceful couch", was the very sublimity of faith. It needed only a visit to a neighboring blacksmith shop for a cold chisel, or to a carpenter shop for even a hatchet, as the only tools necessary for the enterprising burglar to force the outer door or window, then cut through the thin sheet-iron outer casing of the formidable safe, then the plaster filling and slight wooden interior work, and all the coveted treasures were within his reach; but fortunately the bank burglar of those days did not follow the advice of Mr. Greeley to "Go West", perhaps because he had a suspicion that it would prove too "poor picking".¹⁴²

The routine of business was likewise far different. Banking hours were longer and specialization of functions was unknown. It frequently happened that one man performed all the duties of the institution. One bank is described where the banker loaned and took in money in the front room and fried eggs for his dinner in the back room.¹⁴³

GENERAL STATE OF THE CURRENCY

The currency in Iowa during the period preceding the Civil War was typical of the condition that then obtained in the West. There were no banks of issue located in Iowa, but several nearby States had banks of issue which flooded Iowa with their depreciated notes. The "free banking" system was adopted in Illinois in 1851, in Indiana in 1852, and in Wisconsin in 1853.¹⁴⁴ Under this plan banks were permitted to issue notes upon the security of United States or State bonds deposited with a designated State official. Notes were often based on the depreciated bonds of Southern States which at the outbreak of the Civil War became worthless. Nor was there any attempt to compel these banks to maintain an adequate specie reserve with which to redeem

notes when presented. Many of them were banks of circulation only, and were located at out-of-the-way places. An Iowa pioneer described one of these "wild cat" banks in the following language:

I visited one of those banks once. It was in a logging camp in the thick woods near the east shore of Lake Michigan. It was about eight feet square, eight feet high, made of rough boards, flat roof, with one small sliding window, a plain board shelf, on which the notes were signed, a small door, over which, in red chalk, was the name of the bank. It was never occupied but once. When I saw it, the bank had closed.¹⁴⁵

Various methods of evading redemption were practiced by banks even where they did not go to the extreme described by this writer of putting notes in circulation at such out-of-the-way places as to be found only by the "wild cats".¹⁴⁶

In 1856 two gentlemen interested in the great number of bank notes in circulation, found passing as money, in Iowa City, the bills of more than three hundred banks, two-thirds of them below par.¹⁴⁷

An important part of the banker's literature was the bank note reporter. A standard authority was *Thompson's Bank-Note Reporter* published monthly in Wall Street. The bank note deposits could not all be treated alike by the banker of that day: they must be carefully assorted as they came in. Major Sherman describes the labels on the several compartments of an old currency tray and the method of handling the various kinds of bank notes as follows:

To illustrate how the bank note deposits were assorted and treated by the bankers at that interesting period, I copy literally the labels on the several compartments in an old currency tray, in which the notes were assorted as they came in, and from which the checks were paid. These labels were: Eastern Penn., N. Y. and New England, in one compartment; Ohio, Indiana and Missouri, in another; then Va., Md., and Ky.; in another Ill. and Wis., and lastly, Western Mixed.

The first named notes were choice par funds, rating next to gold, and they were shipped to New York for exchange purposes. The next two (O., Ind., Mo., Va., Md. and Ky.) were "bankable funds", so-called, and graded as among the safest of bank notes. "Illinois and Wisconsin" took in the few legitimate free banks in those states, located principally in Chicago and Milwaukee; but the last label was more comprehensive than all the others put together. It included "rag tag and bob-tail", everything not comprehended under the other labels but resembling a bank note. "Western Mixed" was the dignified and formal name for it. Its pet names were "stump-tail", "red-horse", "wild-cat", "brindle-pup" and many others of like endearing character. The vigilant banker watched that pile of currency closer than the others. Its increase in quantity caused much anxious concern—and its decrease corresponding elation. . . . That kind of money reversed the usual order of things in the mind of the banker—a large balance, instead of being a source of satisfaction, was a very disagreeable menace.¹⁴⁸

A similar condition is described by W. H. M. Pusey, a pioneer banker of Council Bluffs. All bills presented at the bank were assorted, classified, and discounted at the current rates on such bills. Sometimes when deposits were made by a customer, so-called "special deposits" were created. The kind of funds deposited was designated in the passbook. The depositor was then repaid in the same kind of funds, no bank being willing to assume the risk of sudden depreciation to which the money of the day was constantly subjected.¹⁴⁹

The coin current in the early days was likewise of many varieties. Coins of foreign countries had formed a large part of the circulating medium in the early history of the United States. Congress had enacted that the gold coins of foreign countries should be a legal tender in all payments by weight.¹⁵⁰ Likewise certain foreign silver coins had been made legal tender.¹⁵¹ These laws making foreign coin a legal tender were not repealed until 1857.¹⁵² The gold coins current in Iowa included American gold coins, English sovereigns, French and Spanish gold coins; while the silver

coins most prevalent were Spanish milled dollars and quarters, Mexican dollars, and French five-franc pieces. The smaller coin, however, was not current in the State: half-cent, cent, and three-cent pieces were seldom seen—the latter is described as being “in church-plates, and at the post-office”.¹⁵³

SUBSTITUTES FOR BANK NOTES

Scarcity of a circulating medium and the profit to be secured through note issue led Iowa bankers and other citizens or corporations to adopt various methods of evading the constitutional provision against the issue of such notes—which added to the general confusion of circulation. Of the substitutes for legitimate bank notes, four types are distinguishable—Nebraska-Iowa bank notes; A. J. Stevens money; scrip issued by cities, counties, or other minor political subdivisions; and scrip issued by corporations.

Nebraska-Iowa Bank Notes:—The First General Assembly of the Territory of Nebraska convened at Omaha, on January 16, 1855. At the first session of the Assembly certain sections of the *Iowa Code of 1851* were adopted by the new government. These included those sections of the criminal code which prohibited the issue of circulating notes.

Of the Nebraska banking institutions the first to operate in Iowa was, therefore, started by subterfuge: it was known as the Western Exchange, Fire and Marine Insurance Company, and was chartered on March 16, 1855. In addition to its power to write insurance it was given power to deal in exchange of all kinds, to buy bonds, mortgages on real estate, promissory notes, and to receive deposits and issue certificates therefor.¹⁵⁴ The President was Thomas H. Benton, Jr., an original Iowa hard-money man. Beginning operations early in 1855, this concern soon developed into a general banking business. Until January, 1856, there were

more of the notes of this bank in circulation in Iowa than of any other. Early in the crisis of 1857 it went under and its notes became worthless.¹⁵⁵

When the Second General Assembly of Nebraska Territory convened, the attitude seems to have changed and the doors were thrown wide open for banks of issue. Five special acts to charter banks were passed and approved on January 18, 1856. Two of these acts contain the names of well-known Iowa bankers among the commissioners or incorporators. The Bank of Florence was chartered by H. D. Downey of Iowa City, Ebenezer Cook of Davenport, and five other men; the Bank of Nebraska, by Benjamin F. Allen of Des Moines, Hoyt Sherman of Des Moines, and others.¹⁵⁶ It is not easy to identify among the incorporators of the other banks the names of Iowa bankers, but the Bank of Fontanelle was soon under the ownership of Greene and Weare of Cedar Rapids.¹⁵⁷ Two other banks were incorporated on the same date—the Platte Valley Bank at Nebraska City and the Nemaha Valley Bank at Brownsville—but the names of the incorporators do not include the names of any well-known Iowa bankers. Since the Bank of Florence furnishes a good model of the charter provisions and methods of these institutions, a somewhat extended description of this bank's career is warranted.

According to the provisions of its charter, approved on January 18, 1856, the capital stock was \$100,000—which might be increased at the will of the stockholders to any amount not exceeding \$500,000. The bank was given the right of note issue, of dealing in exchange, and of engaging in other regular and legitimate banking business. The president and cashier of the bank were required to sign all notes. Stockholders were made "each and individually liable for the full and final redemption of such issue, payable at their Banking House in gold and silver". There was no requirement of specie reserve; neither was there any security re-

quired for the issue; nor any limit as to amount. The bank was required to make an annual report of its condition to the Auditor of the Territory, and the stockholders were personally liable for the redemption of notes. No other protection being afforded the public, possibilities were present for the wildest of "wild cats", unless the institution was in the hands of responsible men.¹⁵⁸

When the bank began operations the stock was owned by the banking houses of Cook and Sargent of Davenport; Cook, Sargent, and Downey of Iowa City; and Cook, Sargent, and Cook of Fort Des Moines. They stated in the newspapers that they would be personally responsible for all its issues and agreed to redeem its notes at its counter at Florence in coin, and at their respective banking houses with exchange at current rates.¹⁵⁹

The notes of the Bank of Florence were put in circulation in Davenport, Iowa City, and Des Moines. In the two first-named places they were used to pay for the erection of bank buildings;¹⁶⁰ they were maintained at par during most of their career by the banking houses and were finally all redeemed.¹⁶¹ Doubtless they played a part in stimulating business and encouraging speculation. During the summer of 1858 they were connected with a dramatic demonstration in Davenport against "shinplasters".¹⁶²

The notes of the Bank of Nebraska were put in circulation by B. F. Allen through his private bank at Des Moines, and they were current everywhere because of the high credit of Allen.¹⁶³ Indeed, this was the last of the Iowa-Nebraska banks to succumb in the panic of 1857, its notes being at par as late as April, 1858. When the business of the bank was finally closed, "its assets were thirteen sacks of flour, one iron safe, a counter, desk, stove-drum, three arm chairs, and a map of Douglass County" all of which were returned as sold by the sheriff. There is no evidence to show that bill holders lost money, for Allen was one of the wealthiest men

in Iowa and was abundantly able to redeem all notes. In 1858 he became the heaviest stockholder in the Des Moines branch of the Iowa State Bank.

The notes of the Bank of Fontanelle were floated from banking houses in Cedar Rapids, Marion, Vinton, Osage, Des Moines, Council Bluffs, Fort Dodge, and Sioux City. Little record of this bank is available, but it did not survive the panic of 1857.¹⁶⁴

The Third Legislative Assembly of Nebraska Territory was more cautious than its predecessor. One of its earliest acts was to repeal that portion of the general corporation law of January 25, 1856, which authorized the incorporation of banks.¹⁶⁵ This act had authorized incorporation for any lawful business purposes. No special reference was made to banks, nor were any restrictions placed upon their incorporation.¹⁶⁶ During this third session, however, two more banks were incorporated by special charter—the Bank of De Soto and the Bank of Tekama.¹⁶⁷ These institutions added their quota to the supply of bank notes. The maximum circulation of all these Nebraska banks was \$420,000; their specie amounted to \$136,000.¹⁶⁸ In 1859 the notes of certain of these banks were quoted in an advertisement of Hatch Brothers of Iowa City at the following discounts: Bank of Florence, par; Bank of Nebraska, Bank of De Soto, and Platte Valley Bank, twenty-five per cent discount.¹⁶⁹

A. J. Stevens Money:—Other very common currency in Iowa just preceding the panic of 1857 were notes of the Agricultural Bank of Tennessee. In 1855 Andrew J. Stevens of Des Moines became prominent in land speculation. He induced James Callanan and S. R. Ingham of New York to join him in the banking firm of A. J. Stevens and Company. They bought the charter of the Agricultural Bank of Tennessee and began to circulate its notes in Iowa by making loans to land buyers. They agreed to redeem the notes when

presented, the notes being stamped on their face with the firm name. The bank went down early in the crash of 1857 and its notes became worthless.¹⁷⁰

In connection with this bank's affairs the courts established the principle that a banker giving circulation and currency to bank notes becomes liable therefor. In a case appealed to the Supreme Court of Iowa from the District Court for Polk County, the plaintiff, Mr. Tarbell, sued on certain bills of the Agricultural Bank of Tennessee amounting to \$214. He alleged that Stevens and Company in the course of their business represented themselves to be the owners of and personally liable for these bank notes. On or about August 8, 1857, the bank ceased to redeem the notes and they became "wholly worthless". The court in holding for Tarbell declared:

Where a party holds himself out to the public, as liable for the redemption of the bills of a bank, as a stockholder, and advertises to redeem the same at the counter of a bank different from that by which the bills were issued, and where by such representations he gives character, credit, and currency to the bills, and causes them to be received in the community, the promise or undertaking, or the liability assumed, is not in the nature of an assumption to pay the debt of another, but is original and independent in its nature, and it is not necessary to aver that the promise or undertaking was in writing.¹⁷¹

City, Township, and County Scrip:—A third type of circulating medium which was "made in Iowa" was the "scrip" of various cities, townships, and counties. This was issued to pay current expenses of the political subdivision. It was printed in the size and style of bank notes in denominations of one, two, three, five, and ten dollars. Samples of this scrip, in the possession of the State Historical Society of Iowa, issued by Iowa City bear date of January 1, 1858. "Wapello Scrip" is preserved dating from 1857.¹⁷²

This scrip was payable on demand to bearer and circulated freely for a time, though not far from home. A financial statement of Iowa City in August, 1859, included almost \$15,000 in scrip and warrants outstanding. After several years of issue the scrip was ordered to be collected and destroyed.¹⁷³ Other cities, townships, and counties issued the same kind of paper which circulated as money.

An unusual form of scrip which amounted practically to an issue by the banks and the city in partnership was adopted by the city of Burlington. The city borrowed \$25,000 in gold, which was distributed among the three banks of the city. They held this specie and paid six per cent interest to the city as long as they had the gold in their vaults. Against this gold the city issued orders which were used by the citizens as currency. Details of this scheme are lacking, but a spirited debate over it was indulged in at the constitutional convention of 1857, one delegate charging that the city of Burlington had "flooded the State with her shin-plasters". J. C. Hall, delegate from Burlington, warmly denied the allegation. He stated that this currency had always been redeemable in gold. If this was the case it appears to have been a form of gold certificate or at least on a specie basis.¹⁷⁴

Corporation Scrip:—Corporations of the State were not slow in following the practice of the bankers and the cities in their contributions to the circulating medium of Iowa. One of the most interesting examples of this kind is the Burrows and Prettyman scrip, issued by that firm in Davenport. This concern had a large general store in Davenport and a flouring mill at Rockingham, which was then the county seat of Scott County. It later extended its business to include the buying of pork and produce, and the operation of a cooper shop in connection with a pork-packing establishment. During the winter, for from three to five months,

the river was frozen and no shipping was possible. Money was tight and media of exchange scarce, but the buyer of farm products needed a large amount of cash or credit to handle this business. During the winter of 1853-1854 Burrows and Prettyman made a record pack of 19,000 hogs and bought large quantities of wheat. The banks being unable to finance these operations, Burrows and Prettyman began to issue checks payable in the spring when they should have realized cash for their products. This worked so well that in the following year they prepared beautifully engraved notes, resembling bank notes, and paid out \$100,000 of these notes for produce. These notes soon became an important part of the local circulation.¹⁷⁵

An excellent description of the method of issuing the scrip has been written by Hiram Price, later President of the State Bank of Iowa and one of the most substantial financiers of that time. He says: "I have a very distinct recollection of seeing the chief member of the firm carrying in his hat (a large bell-crown, such as our Uncle Samuel is represented as wearing) whole printed sheets, resembling bank bills, of what was called the money of the firm and in his vest pocket a pair of scissors, so that whenever and wherever he was met on the street or other place he was prepared to pay in this currency for wheat or pork, or any other legal claim, by simply extracting from his capacious hat a sheet of what he called, and what for the time being passed, as 'money', and with his scissors cutting off the necessary sum to liquidate the claim!"

The writer continues by describing the prosperity of the gentleman of the large hat. He lived in a house "set on a hill", and his coach was the envy of his less prosperous neighbors. But the career of these "wild cats" was ended in the panic of 1857 and they caused some stormy scenes in Davenport, as we shall note. Mr. Price in describing the decline of prosperity built on such an unsound basis draws

a sound moral lesson in his concluding words: "But time, that tries all the things of earth, clutched with rude and relentless grasp this seemingly solid and beautiful structure of wealth and all its surroundings, and it crumbled and fell, and then the common people made the discovery that all that seems to glitter may not be gold, and that in the language of a pious colored brother, many beautiful and substantial structures may be built upon 'foundry sandations'."¹⁷⁶

Another example of corporation "scrip" with a more fortunate career is that of the Western Stage Company. This company issued scrip to pay for labor, horses, horse feed, and other current expenses. Taken in payment for stage fare, arrangements were made for the redemption of this scrip in current funds at one of the banks in Chicago.¹⁷⁷ Other instances of corporation scrip serving as a medium of exchange might be given.¹⁷⁸ The prophecy of Wm. Penn Clarke had proved sound: Iowa had a currency "well-mixed".

THE CRISIS OF 1857

In August, 1857, a severe panic started in New York precipitated by the failure of the Ohio Life Insurance and Trust Company.¹⁷⁹ The crisis, which spread rapidly over the entire country, was especially severe in the undeveloped sections of the West. Iowa banks were unprepared. Land speculation was rampant, and in all the newer sections of the State the credit of the banks had been strained thereby. The statistics of bank failures are not available, but the fact of liquidation is certain. Eastern exchange rose to a premium of ten or fifteen per cent. S. D. Carpenter, a contemporary Cedar Rapids banker, states that the only bank to survive in that city was the firm of Greene and Weare. The well-known firm of Cook and Sargent of Davenport, with branches in many other points, suspended on December 16, 1859.¹⁸⁰

A feature of the crisis was the attack upon the illegal forms of currency in circulation. In Davenport, notes of the Bank of Florence and Burrows and Prettyman checks drove out the better forms of currency. By January, 1858, Florence notes were at a discount, and by summer the banks refused to accept Burrows and Prettyman checks. On the night of August 10, 1858, a mob marched the streets bearing banners marked "Down With Shinplasters" and "We Want Good Money". Some windows were broken and other disturbances started near the bank of Cook and Sargent and at the home of Ebenezer Cook. A mass meeting was called which demanded that Cook and Sargent redeem the Bank of Florence notes. Judge Grant was made arbiter and given funds to redeem notes. Notes in small lots were first redeemed for the laboring classes, but later all holders were invited to present them for redemption. On September 6, 1858, the bank burned \$200,000 of redeemed Bank of Florence currency.¹⁸¹

The effects of the liquidations and failures during the panic and subsequently were to reduce the number of banks, weed out the weaker institutions, and rid the State of much of its poorest currency. The economic situation which resulted from the crisis was most difficult. Real estate became nearly valueless, and thousands of farmers, merchants, and mechanics were reduced from prosperity to poverty and want.¹⁸²

V

CONSTITUTIONAL AUTHORIZATION OF BANKING CORPORATIONS

When the constitutional convention of 1846 finished its work, the people were not wholly satisfied with the results; but they accepted the Constitution in order to secure statehood. Many who voted for the adoption of the Constitution did so with the expectation that it would soon be amended. Consequently early efforts were made to secure a change. In February, 1847, a bill providing for an expression of the people upon the question of revision passed the House of Representatives and was lost in the Senate only by a vote of ten to eight. During the fourth session of the State legislature, petitions favorable to amendment were received from the people.¹⁸³

In the meantime Stephen Hempstead had become Governor, and in his inaugural address of December, 1850, he stated his views on banking. He had been an opponent of banking in the convention of 1844, and his attitude remained unchanged. The absence of banks of issue in Iowa was to his mind largely responsible for the growth and prosperity of the new State. He reiterated his opposition to banking in later messages, expressing "deep concern" that some of his fellow citizens were in favor of amending the Constitution so as to authorize banking. He pointed to the experience of 1840-1841 as the best guide for action. In order to restrict the use of currency and to substitute a considerable amount of specie, he recommended the passage of a law to prohibit circulation of all bank notes of a smaller denomination than \$10. When Governor Hempstead retired from office in 1854 the country was in the midst of a

monetary crisis, which he attributed to the effects of paper money, and he pointed out the fact that the worst sufferers were the laborers. Once more he cautioned the people of Iowa not to amend the Constitution to authorize banking.¹⁸⁴

On the other hand, James W. Grimes who became Governor in 1854 was in favor of revision. The legislature submitted the issue to the people, and at the general election of 1856 the voters authorized a constitutional convention.¹⁸⁵ On January 19, 1857, the convention convened at Iowa City to draft what has been for over sixty years the fundamental law of Iowa. Of the thirty-six delegates, twenty-one were Republicans and fifteen were Democrats.¹⁸⁶ The popular demand for a new Constitution was based largely on a desire to change the article on incorporation, and, more particularly, to remove the restrictions which prevented the legislature from providing banking facilities.¹⁸⁷ Evidently the people had come to feel that the prohibition of banking corporations was not the most satisfactory solution of the problem.

The Committee on Incorporations made its report to the convention on January 30, 1857. This report contained sections authorizing the General Assembly to pass a general banking law and also to charter a State bank with branches. Judging by the provisions included in its report, the committee was unwilling to trust the judgment of members of the legislature. Detailed restrictions were to be placed in the Constitution concerning the powers which could be granted to banking institutions created by the General Assembly.¹⁸⁸

In the debate on the question of limiting the laws which might be enacted by the legislature, some interesting opinions were expressed. One member stated that his constituents were in favor of some such provision because they had been told banking was a scheme by which men were going to combine and deceive the people and "that bankers would

invariably steal''. He was, therefore, in favor of constitutional provisions requiring the legislature to provide that if the bankers stole they would be punished. Another member suggested that the same provision be made to apply to farmers. Still another thought that the contemplated restrictions on legislative action were so great that the convention might as well add the penal code of Iowa to the article. Certain members were emphatic in denying that every man who has a dollar to invest in a banking institution is a scoundrel and thief.¹⁸⁹

It appears obvious now, as was frequently charged by members of the convention, that the framers of the Constitution were exercising functions which properly belonged to the legislature. This extreme precaution on their part was especially unnecessary in view of the fact that it was also proposed that the Constitution should prescribe that no banking law should take effect until approved by a majority of the voters at a general or special election.¹⁹⁰

It seemed clear to a majority of the members of the convention that some change must be made in the banking law. The first problem was whether to provide for a State bank with branches, or for a system of general banking with note issue secured by the deposit of State stocks with bank commissioners. Some of the arguments advanced by advocates of the State bank system were: first, experience, especially in Ohio and Indiana, had proved the superiority of that system; second, such a system inspired confidence because of the mutual responsibility of all branches; third, it could be used as a depository of State funds; fourth, it would lower the interest rate so that instead of the two or three per cent per month, then being paid, it would enable borrowers to secure funds at ten per cent per annum; and fifth, paper of a State bank system would be current abroad, while notes under a general banking system would never circulate far from home at par.

The principal opponents of the State bank system attacked it on the grounds of its monopolistic tendency. Under a general banking system it was pointed out that anyone could engage in banking under proper restrictions. It was contended that in order to protect themselves against unsound branches, the branches of the State bank already in the system must have the right to pass on the application of a new branch. If any applying branch was allowed to force itself in, there would be unfair liability resting on the sound banks. On the other hand, this very protection might be the instrument of dangerous monopoly. Considerable objection was raised to the name "State Bank of Iowa" since it would appear to the public that the State was an owner of stock in the bank or at least was responsible for its notes. It was pointed out that the State of Indiana had an interest in the State bank there; but such a situation was not only not contemplated in Iowa, but was actually prohibited by another section of the Article on Incorporations.¹⁹¹

The subject was warmly debated in Committee of the Whole for nearly a week and numerous amendments were adopted. Finally the report as amended was referred to a select committee of five.¹⁹² When this committee brought in its report on February 23rd, all restrictions upon the legislature regarding the details of banking legislation had been removed. A minority report in favor of retaining the restrictions was rejected by the convention, and the report as amended previous to its reference to the select committee was then taken up. This was considered on the following day and the select committee's report was again taken under consideration. Point by point the sections were added and amended until the report was again filled with restrictions upon the legislature.¹⁹³

Only a few members were openly opposed to any alteration of the Constitution with reference to the subject of

banking. The sentiments of J. H. Emerson, an anti-bank man, seem to represent fairly well the opinions of the group which distrusted the legislature. He reminded the convention that it was the legislatures of other States that had created the "wild cats" and "red-dogs" that were in existence.¹⁹⁴ The only test of radical anti-bank sentiment came when Daniel H. Solomon moved to strike out the fourth and subsequent sections of the report and insert in lieu thereof these words: "The power to issue paper money shall not be granted by this State". This motion was defeated by a vote of four to thirty-one. After this the report of the select committee, with its amendments, was adopted with only five dissenting votes.¹⁹⁵ Article VIII of the Constitution, as finally approved by the convention, contains the banking provisions. Subject to the restriction that any banking legislation enacted by the General Assembly must be submitted to the electors, the way was opened for a State bank with branches and a free banking law.¹⁹⁶

GENERAL OR FREE BANKING LAW OF 1858

In his second biennial message of January 12, 1858, Governor James W. Grimes called the attention of the General Assembly to the fact that the Constitution authorized the establishment of a State bank and the enactment of a free banking law under certain restrictions. He urged the passage of laws for these purposes, but cautioned the General Assembly "that banks are to be established to secure the *public welfare* and not to promote the purposes of stockholders and capitalists".¹⁹⁷

The General Assembly immediately proceeded to enact into law what was clearly the popular will in this matter. On February 6, 1858, the Committee on Banks and Banking of the House of Representatives reported that the committee had acted with the Senate committee. In order to expedite business it had been agreed that two bills were to

be introduced simultaneously, a Free Banking Bill in the House and a State Bank Bill in the Senate. After careful consideration by the House in Committee of the Whole, the Free Banking Bill was reported back to the House with numerous amendments, most of which were of minor importance. When finally revised, the bill passed the House by a vote of forty to twenty-five.¹⁹⁸ In the Senate, after considerable amendment, the bill passed by a vote of twenty-three to five.¹⁹⁹ Differences between the houses were adjusted in conference and the measure received the executive approval on March 22, 1858. According to the Constitution, and as provided in the statute, the act was submitted to a vote of the people at a special election held on June 28th. At this election the law was endorsed by a large majority, 30,419 votes being cast in favor of the measure and 10,447 against it. Thereupon Governor R. P. Lowe proclaimed the act as law on July 29, 1858.²⁰⁰ This law remained in force until March 16, 1870, but no banks were established²⁰¹ under its provisions. Its chief interest lies in showing the sentiment regarding banking, and the type of regulations regarded as essential to safeguard the "public welfare".

Under the provisions of the act, any number of persons might be incorporated to establish banks of discount, deposit, and circulation. The minimum capital was fixed at \$50,000, all of which must be fully paid in cash. Subsequent withdrawal of any portion of this capital was strictly prohibited. No bank could be located in a town of less than five hundred inhabitants, and the office where the business was transacted must be in the city or town where the corporation was located. Banks so organized would be permitted to do a general banking business.²⁰²

Stockholders were made liable to the creditors to an amount equal to the shares held, over and above the stock itself; that is, they were subject to double liability.²⁰³ A

strong attempt to make stockholders liable without limit as to amount failed in the House.²⁰⁴ Shares of stock were made transferable on the books of the corporation, but the transfer of stock would not affect the responsibility of stockholders for liabilities accruing while they remained stockholders. Semi-annual statements must include the names of stockholders, places of residence, amount of stock held, and all transfers of stock. A copy of this statement was to be conspicuously posted in the bank for public inspection and another copy filed with the county recorder—the latter statement being *prima facie* evidence in the courts of the facts contained therein. Clearly the obligation of shareholders would not be lightly assumed under these conditions.²⁰⁵

While the banks were permitted to do a general banking business, their activities were limited in certain respects. Loans must be made on personal security only and could have only four months to run to maturity. Interest and discount was limited to ten per cent until January 1, 1863, after which it was to be not over eight per cent. Usury was to be punished by forfeiture of the debt. The banks were forbidden to pay interest on current deposits. Reserve against deposits of twenty-five per cent was required to be kept at all times. The banks were prohibited from purchasing or holding real estate, except that which was needed for the banking house and that obtained at sales under judgment to secure debts.²⁰⁶

In its provisions regarding note issue, the law was most specific and exacting. Experience with notes of free banks of other States led the framers to use great caution in this respect. Certain constitutional limitations had also to be complied with: the security required, the countersigning by a State officer, publicity of shareholders, prohibition of suspension of specie payments, making bill holders preferred creditors, and double liability of stockholders were impor-

tant requirements of the Constitution for the protection of note holders. The State Auditor was designated by the act to have charge of note issue. Notes of circulation were to be numbered, registered, and countersigned by a register appointed for such purpose by the State Auditor. Banks might procure their own plates and dies for engraving or secure the notes from the Auditor. In either case the bank was required to reimburse the Auditor for the costs. After having signed the circulating notes a bank could put them in circulation in the ordinary course of business. Notes were made payable on demand at the banking house of the corporation. Circulation of foreign notes of non-specie banks was prohibited.

The notes were to be secured by the deposit of public stocks. Eligible stocks consisted of United States or State stocks upon which full interest was annually paid; and in the case of State bonds the interest rate must not be less than six per cent. The value of the stocks as security was to be rated at ten per cent below their average market value in New York, for the thirty days next preceding their deposit with the Auditor. In case the stocks so held depreciated, the bank was required to make them good. Upon the stocks so rated in value the Auditor issued notes to an amount ten per cent less than the market value of the securities. The aggregate amount of notes issued was limited only by the stocks so deposited.²⁰⁷

As long as it redeemed its circulation and continued its affairs in a normal manner, the bank was to receive the interest on the bonds deposited. If the bank wished to close its affairs, the Auditor was authorized to exchange stocks (bonds) for circulating notes. These bank notes were then to be cancelled and destroyed. No redemption fund was supplied to the Auditor, but if any bank suspended specie payments on its notes the Auditor was authorized immediately to sell the stocks at public auction in New York and

pay the bill holders. The State did not, however, guarantee the ultimate payment of all notes beyond the proper application of the securities pledged to the Auditor for their redemption. In case a bank failed, and refusal to redeem notes in specie constituted an act of insolvency, the notes were preferred to all other liabilities, the receiver being directed to apply the assets, first, to the redemption or payment of circulating notes; second, to the payment of deposits; third, to the payment of all other indebtedness; and, fourth, to the payment of stockholders. With this preference, and fortified by double liability of stockholders, little possibility of loss by note holders existed.²⁰⁸

Whenever any corporation desiring to relinquish the banking business redeemed ninety per cent of its notes, it could deposit with the Auditor a sum equal to the notes then outstanding and receive all of its securities deposited with the Auditor. Thereafter, the Auditor could pay out the money solely for the redemption of notes. The bank could give notice for two years of final redemption of notes by proper publication. At the end of that time, if the notice had been properly given, the Auditor was authorized to return to the corporation all money and securities.²⁰⁹ Notes lost or destroyed would be a clear gain to the bank. An attempt during the passage of the act to give the right to a note holder to recover for notes that he could prove were "irrevocably destroyed", was defeated.²¹⁰ In the national system this profit on unredeemed notes goes to the United States government.

The proportion of small notes was limited by the act. Thus, no notes less than \$1 were permitted. Not more than ten per cent of the amount could be in notes of \$2 each, not more than twenty-five per cent could be in notes of all denominations under \$5, and not more than fifty per cent in notes of all denominations under \$10. The prejudice against small notes had led to a fight, during the passage of the law,

for a more rigid limitation. An amendment was defeated which would have made the minimum note \$10.²¹¹

The act named Thomas Hedge, George L. Davenport, P. Gad. Bryan, Thomas A. Graham, and E. G. Potter as bank commissioners to hold office until their successors were elected and qualified. Thereafter at each regular biennial session of the General Assembly three bank commissioners were to be elected. The seeming inconsistency of appointing five commissioners and thereafter electing only three can be explained only by the fact that the House bill named the commissioners and provided for five men thereafter. The Senate reduced the permanent board to three, but left the other section without amendment. No stockholder, director, or employee in any bank established by the act was eligible for election as commissioner. Compensation for the commissioners was on a fee basis at the rate of \$5 per day spent in making examinations of banks. These fees were to be paid by the banks in proportion to their capital stock.

The most important duty of the commissioners was to make semi-annual, or if they deemed it advisable, more frequent examinations of the condition of the banks. They were given ample power to examine the books, documents, officers, and agents of the bank. Reports of condition were to be published. In addition to these public reports the banks were required to make quarterly statements of their condition to the Auditor. These statements were to contain the amount of capital stock, the real estate held, the bills receivable, the bills payable, deposits with other banks, the amount of circulation, the loans and discounts, specie on hand, notes of other banks, loans to directors and stockholders, suspended debts, and reserve against deposits on hand.²¹²

The statute is long and detailed, and only its more essential features have been outlined here. As one is accustomed to look upon banks, the minimum capital requirement of

\$50,000 seems to have been rather high to meet the needs of a pioneer community. Savings banks in Iowa to-day may incorporate with a capital of \$10,000. But it must be remembered that this legislation was framed to govern banks of issue. In order to control circulation under a decentralized system such as this, the number and size of the institutions must be restricted. No provision was made at all for banks of discount and deposit not desiring the right of issue. This shows that the issue function was still regarded as the only one which needed public regulation; banking and note issue were still regarded as essentially the same thing. In regard to the safety of notes the act seems open to no criticism. The provision requiring the deposit of public stocks as security for notes was substantially the same as that of the free banking laws of other States; the same general plan was incorporated into the national banking system. Instead of throwing wide open the opportunity for big profits to bankers at the expense of the note holders, the framers of this act used every precaution to provide a sound circulation.

The fact that no banks were incorporated under the law is evidence that it did not offer easy opportunity to the "wild cat" banker or speculator. Nevertheless, the opposition to banks was not entirely dead. The votes in both branches of the legislature registered a considerable protest. A better test of the extreme prejudice was obtained in the House immediately after the passage of the act. A motion to amend the title to strike out the word "banking" and insert in lieu thereof the word "swindling" so as to read an act authorizing general swindling in the State of Iowa was supported by fourteen members.²¹³

By the capitalists of this and other States the measure was regarded as too stringent; consequently early agitation was made to modify its provisions, but Governor Lowe and his successor, Governor Kirkwood, were both opposed to

modification. In his biennial message to the legislature in January, 1860, Governor Lowe said: "I have not understood that any banks have been established under the Free Banking Law. I have heard it suggested that it was too stringent and ought to be modified. I doubt whether an application of this kind ought to be entertained, should one be made. It is the want of these stringent provisions in the Free Banking systems of Illinois and Wisconsin that have flooded those States and Iowa with their irredeemable paper. It is infinitely better for the people of this State to have no free or State banks, if their paper cannot be redeemed on demand in specie."²¹⁴

In spite of the wishes of the executive, the General Assembly proceeded to amend the act. The amendment would have changed the then existing law in three particulars: first, by permitting banks to be organized with a capital of \$25,000 instead of \$50,000; second, by abolishing the office of bank commissioners and thus doing away with supervision and examination; and, third, by permitting the establishment of banks in towns of 250 population instead of 500 as before provided. Governor Kirkwood was opposed to the second and third changes suggested and upon those grounds vetoed the bill.

In his veto message he elaborated upon his reasons for opposing the changes. He regarded careful and disinterested supervision coupled with thorough and searching examination as necessary to protect the public interest. The object of the limitation of banks to towns of at least five hundred population, he stated, was to prevent the establishment of banks at remote and inaccessible places—a favorite trick of the "wild cat" banker. Banks of issue were only to be tolerated when their notes could be promptly converted into specie. Placing them at inaccessible points would make the notes practically irredeemable. He felt also that such small places would not support a legitimate banking

business, and banks established there must necessarily be unsafe. He denounced the evils of the irredeemable paper of Illinois and Wisconsin, and warned against adding to the evil by permitting similar conditions in Iowa. Neither was he willing to shirk his responsibility by allowing the bill to go to the people for approval or rejection.

Governor Kirkwood had been a member of the Senate in 1858 when the law was passed and knew the reasons for its stringency. To be sure he was also a heavy stockholder in the Iowa City branch of the State Bank of Iowa, but there is no evidence that he was improperly influenced on this account. Indeed, the State Bank would not have suffered from competition with free banks. The Governor's reasoning was sound and his motives were of the highest. An attempt to pass the bill over his veto failed in the Senate by a vote of fifteen to sixteen, thus falling far short of the constitutional majority.²¹⁵

The free banking law of Iowa was rendered obsolete by the amendment to the national banking act on March 3, 1865, which taxed out of existence the notes of State banks. No banks had been established under its provisions; and it was finally repealed on March 16, 1870.²¹⁶

VI

THE STATE BANK OF IOWA

The sections relating to banking in the Constitution of 1857 authorized the State legislature to enact a general banking law and also to provide for a State bank with branches. As has been shown in the previous chapter, a free banking law was duly enacted but no banks were established under its provisions. A State Bank, on the other hand, was promptly created and continued in successful operation until absorbed by the national banking system.

In the creation of a State bank, Iowa was guided by the experience of other States. Many of the neighboring Commonwealths had tried out the State bank system in some form. The State Bank of Indiana was chartered in 1817; in 1818 the Constitution of Illinois prohibited all other forms of banking except a State bank with branches; Ohio had established her State bank in 1845; and Michigan, Missouri, Arkansas, and other States had already experimented with this plan of banking. In many cases the States owned stock in the bank, but State ownership was not essential in order to constitute a "State Bank". In fact States often owned stock in the banks of the State where there was no attempt at centralization. On the other hand, some "State Banks" existed in which the State held no stock. In Illinois the State was the sole owner of the stock of the State Bank of Illinois; in Indiana the State was a large minority stockholder; in the case of the State Bank of Ohio none of the stock was State owned.²¹⁷

Experience in other States with State ownership of bank stock had proved so generally unsatisfactory that the constitution makers in Iowa specifically prohibited political or

municipal corporations from becoming stockholders, directly or indirectly, in any banking corporation. Private ownership was therefore a basic principle upon which the State Bank of Iowa was created. The Constitution imposed the further restrictions that the bank must be founded on an actual specie basis and that the branches thereof must be made mutually responsible for all notes issued to circulate as money.²¹⁸

The bill to incorporate the State Bank of Iowa was introduced in the Senate at the same time that the free banking law was placed before the House of Representatives. As reported by the committee, the bill was before the Senate for about four weeks. During this time it occupied the foremost place on the calendar. Each section was discussed, and sometimes amended, before the bill was finally passed. Its passage by the Senate was by a majority of twenty-eight to four and by the House, after slight amendment, by a vote of forty-five to eighteen.²¹⁹ The Constitution required that this act, after passage by the General Assembly and approval by the Governor, must be submitted to the voters for their endorsement. A special election was ordered for June 28, 1858, at which time the act was carried by an overwhelming majority, the vote being 41,568 for and 3697 against. On the 29th of July, Governor Lowe proclaimed the act in force.²²⁰

PROVISIONS OF THE CHARTER

The statute created a board of ten commissioners to organize the system and carry into effect the provisions of the act. The men named were designated as the Board of Bank Commissioners. C. H. Booth of Dubuque County, E. H. Harrison of Lee County, Ezekiel Clark of Johnson County, J. W. Duton of Muscatine County, William J. Gatling of Polk County, C. W. Slagle of Jefferson County, Elihu Baker of Linn County, William S. Dart of Mahaska County,

L. W. Babbitt of Pottawattamie County, and Edward T. Edgington of Lucas County were named by the act to serve as commissioners.²²¹

It was provided that the commissioners should meet within thirty days from the passage of the act to examine certificates of branches. This was to be followed by a personal examination of the condition of the branch, especially with respect to the money paid in on account of the capital stock and with respect to the responsibility and integrity of stockholders and directors. Whenever they were satisfied that at least five branches had met the requirements of the act, they were to certify the same to the Governor and notify the branches of the fact. Each branch must then choose a director and these, together with three directors named in the statute to represent the State, should thereafter control the destiny of the State Bank of Iowa. Upon proclamation of the Governor that the law had been in all respects complied with, the several branches were authorized to commence business.²²²

Thus the State Bank of Iowa was not a single institution but rather the federation of a group of institutions, each having its own capital, stockholders, directors, and corporate charter. The parent bank was incorporated by the act and as such had legal power to make contracts, to sue or to be sued in court, and to exercise the usual powers of a corporation. But it had no capital stock apart from that of its branches, nor was it to transact any banking business except with the branches. The head office was maintained at Iowa City, but there was organized also at Iowa City a branch of the State Bank. This branch sustained exactly the same relations to the State Bank as did any of the other branches. This plan of organization was found also in the State banks of Indiana²²³ and of Ohio,²²⁴ which were the models for the Iowa bank. Of Iowa's political leaders, many received their early impressions in Ohio. Governor Lucas, the first Terri-

torial Governor of Iowa, had, as Governor of Ohio, strongly supported a State bank in his native State.²²⁵ Governor Lowe, in office when the Iowa law was passed, was born and educated in Ohio.²²⁶ The law establishing the State Bank of Iowa bears very strongly the impress of S. J. Kirkwood's ideas. In the State Senate he presented numerous amendments which were adopted.²²⁷ He had but recently come to Iowa (in 1855) after twenty years in the practice of law in Ohio, where he had also taken an active part in political affairs.²²⁸

Control of the State Bank as a whole was vested in a Board of Directors consisting of one director representing each branch and three directors representing the State. The original State directors named in the statute were Benjamin Lake of Clinton County, Hoyt Sherman of Polk County, and Elias H. Williams of Clayton County. Their compensation, to be paid by the State, was fixed at \$3 per day and mileage. Their term of office was two years. No stockholder, officer, or employee of a branch bank could serve as a State director.²²⁹ Not infrequently the president of the branch served as the representative of his branch on the Board of Directors of the State Bank. Voting at board meetings was roughly adjusted to the capital stock of the branch. Each member of the board was entitled to two votes, plus one additional vote for each \$50,000 of the paid-up stock of his branch in excess of \$100,000. Directors were required to give bond, and to take oath that they would "faithfully, diligently, and impartially" perform their duties.²³⁰

The most important specific duties of the Board of Directors were to pass upon the applications of new branches, supervise the note issue, make examinations, and publish the monthly statements. They also formulated general policies for the system as a whole. If, upon examination, they found a branch in dangerous condition they were

authorized to assume full control of its affairs. They approved and allowed the dividends of each branch. They elected their own officers and appointed a permanent secretary from outside their own number. Broadly speaking, they had final authority over all of the bank's affairs.²³¹

Thirty was the maximum number of branches sanctioned by law. No branch could be organized in a town having less than 500 population; and in no case could more than one branch be organized in any town or city. The name of the branch must include the name of the town.²³² Beyond the limitation of one to a town there was no geographical limitation on the distribution of branches. An amendment to place the minimum distance between branches at twenty miles was defeated in the Senate.²³³

Branches could be organized by any number of persons, not less than five. The capital stock of each branch was to be from \$50,000 to \$300,000, with the aggregate for all branches limited to \$6,000,000. Fifty per cent of the capital stock must be paid in specie and must be in the possession of the branch as its bona fide property upon the commencement of business. The remaining fifty per cent must also be paid in specie in ten per cent installments. Unless otherwise ordered by the directors of the State Bank, these installments must be paid every four months.

Two provisions of the law were designed to obtain wide distribution for the stock. Each branch was required to give twenty days' public notice before opening the stock book for subscriptions. On the first day upon which subscriptions were received, ten shares of \$100 each was the maximum amount of stock which any subscriber was permitted to buy. In case all the stock was not subscribed for on one day, the total which any individual or firm could purchase was raised to fifty shares. If, upon closing the subscription books at the close of the second day, the amount subscribed did not equal the capital authorized, the maxi-

num limit was removed entirely—it evidently being assumed that small purchasers, in the meantime, had had plenty of opportunity to make their subscriptions.

Stockholders were subject to double liability in case of the failure of a branch.²³⁴ In this respect Iowa was one of the pioneer States. Massachusetts in 1849 and New York in 1846 were among the States that had earlier adopted special liability for stockholders in banking corporations.²³⁵ Stock of the State Bank was made freely transferable, but in order to protect creditors no individual was allowed to sell his stock as long as he was indebted to the bank. Transfer of stock did not relieve the seller of responsibility for liabilities accruing while the stock was in his possession. Record of the stock, as shown in the stock book, was on file with the recorder of deeds in the county where the branch was located. In case of suit this was *prima facie* evidence of ownership, although the real owner was held liable, even when the ownership appeared on the books in the name of another person.²³⁶

The position of creditors of the branches was further strengthened by the provision that the capital stock could not be impaired to pay dividends. Loans to stockholders were limited to four months' duration, and the stockholders collectively could not at any time owe more than three-fifths of the amount of the paid-up capital. With certain minor exceptions, a branch could not buy its own stock nor the stock of any other incorporated company. The banks were thus restrained from speculation, and banking capital could not be reduced by inter-ownership of stock. One reason for placing the latter restriction in the law was that banking corporations of the mid-nineteenth century indulged sometimes in the practice of buying their own stock, thereby reducing the actual capital of the institution below the nominal amount. Moreover, it was especially desirable to prevent the holding of stock in other banks. Unless so re-

stricted one branch might control one or more of the others through ownership of a majority of its stock. A monopoly might thus be created, and in any case the total strength of the State Bank would be weakened in time of stress. Failure of any branch holding considerable stock in several other branches would seriously cripple, if it did not entirely force under, the subsidiary branches. As a safety measure, therefore, the prohibition on stock investment was a wise restriction.²³⁷

Management of each branch was vested in a Board of Directors, elected annually by the stockholders. At all stockholders' meetings each share of stock was allowed one vote. The number of directors might vary from five to nine. In order to be qualified for the office of director the stockholder must be a citizen of the United States and a resident of Iowa during his whole term of office. Directors were required to take oath diligently and honestly to perform their duties—this oath to be filed with the county recorder. Directors collectively were not permitted to owe to the branch of which they were officers an amount exceeding one-fifth of the capital stock of which they were bona fide owners.²³⁸

Bankers of the twentieth century do not consider note issue an essential function of commercial banking, but to the banker of the mid-nineteenth century this function was still very important. The early bankers, instead of granting the borrower book credits in the form of a deposit which he might transfer by means of a check, handed him the bank's notes. Notes issued on this "banking principle" were essentially the same sort of liability for the banker as his deposits. When the State Bank of Iowa was chartered the necessity of guarding the interests both of note holders and of depositors was recognized, but by far the most legislative attention was devoted to the regulation of note issue. Since note issue provisions formed such a large part of the

act incorporating the State Bank, this phase of the law is reserved for special treatment.

Important restrictions placed upon the deposits of the branches were: each branch was required to keep a specie reserve of twenty-five per cent against its current deposits, in addition to the same specie reserve against circulation; and branches were prohibited from paying interest on current deposits. The amount due depositors was to be reported separately in the regular monthly statement required by the law. Notes were made a prior claim over deposits in the settlement of the affairs of an insolvent branch. This was done on the generally accepted theory that a note holder usually is an involuntary creditor of the bank, whereas the depositor voluntarily chooses the place of deposit after investigation.²³⁹

During the early part of the nineteenth century the banking business was surrounded with great secrecy. According to its charter the First Bank of the United States was required to make regular returns to the Treasury Department, but only two of these reports were ever published. The legislatures of most States did not require reports from banks until well toward the middle of the century. Sometimes reports were called for, but no penalties were provided for failure to make returns. Specific forms were not prescribed, hence ambiguities and inaccuracies crept in.²⁴⁰ In this respect the founders of the State Bank of Iowa took a very advanced position. Certified statements of the condition of each branch were required to be made on the first Monday in each month. This statement was to be transmitted to the Auditor of State and to the State Bank. The form of the report specified seventeen distinct items on which information was to be given. An abstract of the statement was to be published in some newspaper of the county and a copy was to be sent to each branch of the State Bank. The directors of the State Bank were re-

quired to publish a consolidated abstract of these monthly reports in some newspaper published at Iowa City, the location of the head office of the bank, as soon after the first of the month as practicable. Judged by our present standard, this system of regular monthly statements was a weak one; but it was, nevertheless, a notable advance in the matter of giving publicity, and was a safe method of determining the bank's condition. Supplemented as it was by examination of the branches by the State Bank directors, it proved an adequate method of supervision of the general condition of those branches. The present-day practice of calling for way of obtaining bank statements, but this plan was not introduced until several years later when it was made a feature of the national banking system and later was adopted for State banks.²⁴¹

Interest or discount on loans was fixed at ten per cent until the first day of January, 1863; after that no more than eight per cent was to be charged. Discounting was allowed and exchange could be charged at the current rate upon a bona fide bill or note payable at some other than the place of discount. To charge a rate higher than the legal rate was usury, and caused the entire debt to be forfeited unless made to a director or stockholder, in which case it was a valid claim. A second restriction was that loans were limited to four months time. This prevented loans and discounts for land purchase, a practice which had wrecked many banks in 1837 and again in 1857. The time limitation took into consideration that principle of commercial banking which recognizes that a bank's assets should be kept in easily liquidated short-time paper. A limit of four months would seem to have been rather rigid in an agricultural community, experience having since demonstrated that prime agricultural paper may have a maturity of six months at least.²⁴²

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During the period of the State Bank and the decade following, during which the national banking system was dominant, long time credit was of necessity supplied by other institutions. The available facts concerning these institutions were very meager. It is known that some of the private banks survived the panic of 1857 and continued to carry on their business, which included a great deal of loaning on mortgage security. The number of private banks in Iowa in 1875 was approximately two hundred. We have no means of knowing how many of these were in operation contemporaneously with the State Bank, but doubtless a considerable number had their origin before the close of its career. Directly and indirectly they supplied the long time credit to the Iowa borrowers.

Collectively the stockholders could not borrow more than three-fifths of the amount of the paid-up capital; and the directors of any branch could not owe more than one-fifth of the amount of the stock owned by them collectively. The section relating to the maximum indebtedness which any individual might contract with a branch is not clearly stated. It appears, however, that no person, company, or several members of a firm collectively could owe on a single-name promissory note more than one-twentieth of the amount of the circulation which the branch was authorized to issue. On the first \$100,000 or less of paid-up capital the branches were allowed to issue notes at a rate of two to one. The maximum individual loan was, therefore, ten per cent of the paid-up capital—the ratio shortly afterward adopted in the national banking law. Branches were allowed to discount bona fide bills of exchange, payable out of the State, bearing the acceptance of one individual or firm to an amount equal to one-fourth of its circulation. A further clause was included to the effect that no person or firm could be indebted, exclusive of liability as an acceptor, to an amount in excess of one-tenth of the circulation. This would

seem to mean that the branch could discount bills of exchange for one firm only up to ten per cent of its maximum note issue, or twenty per cent of its capital. This appears, however, to have been in addition to the one-twentieth liability on single-name paper. It is clear why a larger line of credit was granted on double-name than on single-name paper, but the relatively high amount of paper which could be discounted bearing the acceptance of one firm is not easily understood. The wording of the statute limits the amount of the latter to one-fourth of the bank's circulation when the bills were payable outside of the State, but made no express limitation in any other case.²⁴³

The loans of the bank were further limited to those made on personal security. An early ruling of the Board of Directors of the State Bank interpreted this to prohibit taking collateral security. Shortly afterwards the board reversed itself and decided that section twenty-three of the act was intended to prevent the taking of real estate security. Thereafter the branches were allowed to use their own discretion in the matter of taking collateral.²⁴⁴ They were not allowed, however, to take a lien on any part of their capital stock; and the same security was required from shareholders as from other borrowers.²⁴⁵

The banks were prohibited from owning real estate beyond the amount in each case "necessary for the convenient transaction of its business". If it became necessary to purchase at execution sale, or to take over real estate to secure payment of a debt previously contracted, the real estate was to be sold as soon as possible without loss. The branch was required to offer such real estate for sale publicly at least once a year. Subject to these restrictions the branches had power to transact a general banking business. They could issue notes furnished by the State Bank, loan money, buy, sell, and discount bills of exchange, notes, and other written evidences of debt, receive deposits, buy and

sell coin and bullion, make collections, and do any other business properly appertaining to banking.²⁴⁶

NOTE ISSUE

The provisions of the State Bank law regulating note issue were drawn with care in order to insure a uniform and sound circulating medium. For the protection of note holders the two plans most commonly adopted in banks under State charter before the Civil War were the free banking plan, having all note issues secured by interest bearing bonds, and the safety fund plan. Ohio had adopted the safety fund plan in the law of February 24, 1845, creating a State bank.²⁴⁷ This plan, having proven successful in Ohio, was copied in the act creating the State Bank of Iowa. But a more important protection than the safety fund was the provision that the branches were mutually responsible for all of the notes issued. No occasion ever arose in the history of the State Bank of Iowa to make use of the safety fund, but the mutual responsibility provision early saved the note holders of one branch from loss and avoided for the bank public disfavor.

The safety fund for the redemption of notes consisted of either money or bonds to an amount equal to twelve and one-half per cent of the circulating notes delivered to the branch. It was specified that the bonds so deposited must be "United States stocks, or interest paying State stocks at their current value in the city of New York, but in no instance above their par value". The money paid into the safety fund must also be invested, under the direction of the Bank, in the afore-mentioned bonds. Interest accruing on the stocks so held was received by the branches owning the same. In case of the failure of any branch the portion of the safety fund belonging to the insolvent branch was first to be used to redeem its outstanding notes. The solvent branches could then be called upon to make up losses of the

insolvent branch. It was a mutual liability only for note issue, and no part of the safety fund except that belonging to the failed branch was to be called upon for payment of other liabilities.²⁴⁸

The administration of the safety fund was in the hands of the President of the Bank. In November, 1860, the President was given power to require any branch to deposit additional security in the safety fund if its bonds declined so that in his judgment, with the concurrence of the Executive Committee, the interests of the Bank required such deposit. Again, just at the outbreak of the Civil War, a resolution was adopted providing that the safety fund be made good by a return of circulation or by depositing coin or bonds. This was accompanied by a resolution to the effect that bonds of Southern States were not to be received for the safety fund. At first the bonds were kept in the office at Iowa City, but in November, 1861, the President was directed to remove the bonds belonging to the safety fund to the vault of the Merchants Branch at Davenport for safe keeping.²⁴⁹

To limit the volume of circulating notes and to make sure of their prompt redemption, two restrictions were adopted. The volume of circulation bore the following proportion to the capital stock: on the first \$100,000 or any lesser amount of its capital actually paid in, the branch could issue notes to twice the amount; for the second \$100,000 this proportion was reduced to one and three-fourths times the capital; on the third \$100,000, to one and one-half times the capital.

A second limitation was the requirement that a specie reserve of twenty-five per cent of the circulation must at all times be kept on hand in the vault of the issuing branch. Whenever the volume of notes outstanding exceeded this proportion the bank was not permitted to put any more notes in circulation, nor to increase its liabilities by making new loans or discounts, except to purchase sight bills of

exchange, nor to pay any dividend until the proper proportion was restored.²⁵⁰ The Bank strictly enforced this statutory requirement even during the exceptional circumstances of the Civil War. When there was general suspension of specie payments and the banks were redeeming their notes in national bank notes and United States treasury notes, the branches were tempted, by the possible profit, to sell gold at a high premium. This policy was promptly opposed by the Bank. Any branch violating the statute in this respect was called to account. For instance, the Iowa City branch, in February, 1864, was given an opportunity until the next meeting of the Board to restore the proper equilibrium between specie and circulation. At a later meeting in the same year, the branches were directed to keep at all times in their own vaults in coin twenty-five per cent of their outstanding circulation.²⁵¹

Specie redemption of bank notes was a cardinal principle of the State Bank of Iowa. Failure on the part of any branch to redeem its notes promptly in specie when demanded at its banking house during the usual banking hours was to be deemed an act of insolvency. The entire business and property of such a branch must be immediately taken over by the State Bank. The State Bank would then appoint an examining committee and a receiver for the branch; its affairs would be settled and the debts paid as fully as possible. The notes would all be promptly redeemed by the State Bank, the safety fund of the several branches being later reimbursed from the assets.

By the terms of the law the denominations of notes were \$1, \$2, \$3, \$5, \$10, \$20, \$50, and \$100. Small notes were in general disfavor. In the Senate, during the consideration of the bill, a motion to prohibit all notes below \$5 was passed by a majority of a single vote. An attempt to raise the minimum to \$20 was decisively beaten. The House of Representatives restored the provision of the bill permit-

ting a limited proportion of small notes. In the conference on the House amendments the Senate agreed to this change.²⁵² The percentage of small notes was limited as follows: not more than ten per cent of the amount issued by any branch could be in notes of \$1 each, not more than ten per cent in notes of \$2 each, not more than twenty-five per cent in notes of all denominations under \$5, and not more than fifty per cent in notes of all denominations under \$10.²⁵³

The effort to prohibit small notes and the final action limiting the percentage of these notes was due to the popular dissatisfaction with the so-called "shinplasters" or fractional currency of all kinds that had made up a large part of the circulating medium. It was hoped by such regulations to keep coin in circulation. Limitation or prohibition of small bank notes has been commonly prescribed in banking laws even up to the present time and is included in our national banking laws. In the United States, under the national banking system, government paper money has met the demand for small notes, but in Iowa the only substitute would have been the small notes of outside banks. It was the realization of this fact that led the Iowa legislators to choose the limitation of the number rather than the entire prohibition of the issue of small notes by the State Bank of Iowa.

No provision was made in the law and no regulation can be found in the records of the Board of Directors for fractional currency. In the collections of the State Historical Society of Iowa are to be found samples of fractional currency which appear to have been small checks payable to the bearer at the branches of the State Bank. This currency is in the form of cards or tickets about one and one-half by two and one-half inches in size. Samples are preserved of the currency drawn on the branches at Iowa City and Washington. The branches were directed to redeem the

tickets in bank notes if presented in sums of \$1. The denominations were five, ten, twenty-five, and fifty cents. They bear the date of 1862, that is, of a period after the general suspension of specie payments.

The form of the bank notes was left to the Board of Directors, and was a problem of considerable moment at the first meeting of the Board. While the directors desired to get the circulation as early as possible they were also desirous of choosing a distinctive design. Plates were available from which notes could have been immediately struck off. The Board finally referred the entire matter to a committee composed of Hiram Price and Hoyt Sherman, with instructions to go east and procure the bills required for circulation.²⁵⁴ This delayed somewhat the note issue, but enabled designs to be chosen which were related distinctively to Iowa. The notes selected attracted favorable comment in the local press.²⁵⁵ In general they pictured fanciful rural scenes, but they also included some pictures of historical interest. On the \$1 bill was a cut made from a portrait of Governor Robert Lucas, the first Territorial Governor. The picture on the \$5 bill was that of Antoine Le Claire, one of the pioneer founders of Davenport. The \$10 bill had a cut made from a scroll map of Iowa as it was before 1856, and Governor Ralph P. Lowe's picture appeared in the corner. In all cases the notes were issued in the name of the State Bank of Iowa; and the names of the various branches were written in with a pen. All notes were signed by the president and cashier of the branch, and registered and countersigned by the Secretary of the State Bank.²⁵⁶

Because the name of the branch was written on the notes, it was necessary to return worn notes for exchange more frequently than might otherwise have been necessary. The statute provided that mutilated currency be "burned to

ashes in the presence of the President or Vice President, and at least two of the Directors of said Bank.”²⁵⁷ This order was literally and conscientiously carried out. Hiram Price describes the burning in these words: “This burning was done in a large, old-fashioned, ten-plate stove, in the office of the State Bank at Iowa City. Sometimes, in warm weather, this was by no means a pleasant job. The door of the stove had to be kept open so that the witnesses could certify, *not* that the mutilated currency had been put into the fire in the stove and burned, but that the burning was done in the presence of those who made the certificate.”²⁵⁸ He further relates how they watched to see that there was not draft enough to draw the notes out of the flue and that the charred paper was thoroughly stirred so as to burn the notes to ashes. The minutes of the Board of Directors contain frequent record of the appointment of committees to burn mutilated currency.²⁵⁹

ORGANIZATION OF THE BANK

Shortly after the special election of June 28, 1858, the Governor called together the Bank Commissioners for the purpose of putting the new system into operation. The first meeting was held at Iowa City on July 28, 1858, at which time the commissioners took the oath of office. The members present were C. H. Booth, E. H. Harrison, Ezekiel Clark, W. J. Gatling, C. W. Slagle, Elihu Baker, William S. Dart, and Edward T. Edgington. After electing Ezekiel Clark chairman of the Board and William J. Gatling secretary pro tem, they adjourned to meet at the same place on July 30th.²⁶⁰

At that time applications for the establishment of branches were received from Council Bluffs, Oskaloosa, Camanche, Lyons, and Washington. All these were laid on the table and the Board adjourned to meet on September 15th to act on applications.

The next meeting of the Board was held on September 15-17, 1858. Nineteen applications were filed by parties desirous of forming branches of the State Bank. These were:

- No. 1. Muscatine—Branan and others
- No. 2. Dubuque—Goodrich and others
- No. 3. Washington—Abbott and others
- No. 4. Iowa City—Kirkwood and others
- No. 5. Davenport—Le Claire and others
- No. 6. Dubuque—Langworthy and others
- No. 7. Clinton—Sam Clark and others
- No. 8. Sioux City—Hubbard and others
- No. 9. Davenport—Macklot and others
- No. 10. Des Moines—Allen and others
- No. 11. Muscatine—J. Green and others
- No. 12. Grinnell—Grinnell and others
- No. 13. Council Bluffs—Noble and others
- No. 14. Wapello—Copeland and others
- No. 15. Oskaloosa—
- No. 16. Keokuk—Southern
- No. 17. Mount Pleasant—
- No. 18. Sioux City—J. W. Boster and others
- No. 19. Keokuk—Hammell, Ralston, and Company and others

The commissioners at a later meeting received applications from Camanche, Pacific City, and Waterloo, but these were laid on the table.²⁶¹

In order to act intelligently upon the nineteen applications the Board referred them to examining agents from their own numbers for personal examination. A set of "interrogatories" was prepared and general instructions agreed upon in order to insure uniformity and impartiality of action. The Board then adjourned, to meet again on October 6th, and went out two by two as examining agents. When the Board reassembled they found that eight branches had met all the requirements of the law and were entitled

to commence banking. Certificate to that effect was made to the Governor naming the following branches:

1. The Muscatine Branch—Application No. 1
2. The Iowa City Branch—Application No. 4
3. The Des Moines Branch—Application No. 10
4. The Dubuque Branch—Application No. 2
5. The Oskaloosa Branch—Application No. 15
6. The Mt. Pleasant Branch—Application No. 17
7. The Keokuk Branch—Application No. 19
8. The Merchants Branch of Davenport—Application No. 5²⁶²

There were subsequently established under the authorization of the State Bank directors, seven additional branches:

Lyons City Branch of the State Bank of Iowa, February 17, 1859

Branch of the State Bank of Iowa at Burlington, March 18, 1859

Washington Branch of the State Bank of Iowa, March 18, 1859

Fort Madison Branch of the State Bank of Iowa, August 11, 1859

McGregor Branch of the State Bank of Iowa, February 15, 1860

Council Bluffs Branch of the State Bank of Iowa, November 14, 1860

The Farmers Branch of the State Bank of Iowa at Maquoketa, February 10, 1864²⁶³

These fifteen branches continued from the time of admission until the Bank's affairs were closed in 1865. Collectively they constituted the State Bank of Iowa.

The action taken on October 9, 1858, by the Board of Commissioners establishing the original eight branches was communicated to each branch that had been accepted, and October 27, 1858, was set as the date for the first meeting of the Board of Directors. The commissioners adjourned

until November 11, 1858, but there is no reason to believe they ever assembled again. The record book used by the commissioners became the minute book of the Board of Directors. In it the record closes with the meeting of October 9th. The commissioners were responsible only for getting the system established. At the first directors' meeting Ezekiel Clark, President of the Board of Bank Commissioners, turned over to the directors all the books, papers, and documents in the possession of the commissioners.²⁶⁴ Thereafter the responsibility for the conduct of the State Bank rested on the Board of Directors.

The first meeting of the Board of Directors was held in the Council Chamber of the Old Capitol at Iowa City on October 27, 1858. The members present were:

W. T. Smith, representing the Oskaloosa Branch
Samuel F. Miller, representing the Keokuk Branch
P. M. Casady, representing the Des Moines Branch
S. J. Kirkwood, representing the Iowa City Branch
Chester Weed, representing the Muscatine Branch
Richard Bonson, representing the Dubuque Branch
Timothy Whiting, representing the Mt. Pleasant Branch
Hiram Price, representing the Davenport Branch
Benjamin Lake, representing the State of Iowa
Hoyt Sherman, representing the State of Iowa

S. J. Kirkwood was elected president pro tem and Hoyt Sherman secretary pro tem. By-laws were adopted and a permanent organization effected. Chester Weed of Muscatine was elected President and Elihu Baker of Cedar Rapids, Secretary. Mr. Baker continued in that capacity throughout the history of the bank. In February, 1860, Mr. Weed was succeeded by Hiram Price, who was President from that date until the bank closed in 1865.²⁶⁵

The principal business before the first directors' meeting was the adoption of by-laws and of plans to obtain circulating notes. It was provided in the by-laws that there

should be regular quarterly meetings of the Board of Directors on the first Wednesday after the second Monday of February, May, August, and November. Special meetings might be held at the call of the President or of any four members of the Board. The regular officers were President, Vice President, and Secretary. These men were to be elected annually at the February meeting of the Board, the first election to be at the time of organization, and the first regular election to occur in February, 1860.

The duties of the President included the usual duty of presiding at meetings. In addition he had charge and general oversight of the office at Iowa City. He was required to make examinations of the branches. At each regular session of the Board he made a written report of matters that concerned the Bank or branches. This report must include any matter requiring action by the directors. He was originally allowed a salary of \$1200 per year and expenses incurred in visiting and examining the branches. This was put on a per diem basis after February, 1863, and the compensation was reduced. He was required to give bond of \$100,000 and to discharge honestly and faithfully the duties of the office.²⁶⁶ When we consider the responsibility undertaken and the amount of work involved, this pay seems hopelessly inadequate to command the highest ability. Hiram Price, the President during all but the first year, speaks of the inadequacy of the salary but seems entirely satisfied to have earned from his associates and all those interested the "better and more valuable pay" of "well done, good and faithful servant."²⁶⁷

The Vice President was required to assume the duties of the President in his absence and to make examination of the branch represented by the President as director. By virtue of his office he was a member of the Executive Committee of three members who met monthly at Iowa City to examine statements of the branches and, if they deemed necessary,

to cause a personal examination of the condition of any branch to be made. This committee also examined the accounts of the Secretary and in general the condition of the State Bank.²⁶⁸

The Secretary was given the duty of keeping the books and accounts of the head office at Iowa City. He was required to register and countersign all notes issued for circulation and keep a record of the same. His salary was \$1500 per year, payable quarterly. This position was filled by Elihu Baker during the entire life of the Bank. At the last regular meeting of the Board a resolution was adopted commending Mr. Baker for the "skill and ability with which he has discharged the arduous and complicated duties of Secretary of this Board."²⁶⁹

Directors were not paid a salary for their services. At first they were allowed a per diem of \$3 for attending directors' meetings and mileage at the rate of fifteen cents per mile. At the meeting on August 15, 1860, it was decided to pay the per diem but no mileage. This was rescinded at the next meeting and the directors continued to receive \$3 per day, although the mileage was reduced to seven and one-half cents per mile.²⁷⁰ Salaries and other expenses were met by assessments on the branches in proportion to the paid-up capital stock. These assessments were very small relatively. In February, 1862, an assessment of one mill on the dollar was ordered. This was followed in August by an assessment of one and one-half mills plus an additional one mill to pay a note. Again in May, 1863, one and one-half mills was assessed.²⁷¹

A special meeting of the Board of Directors was called on December 28, 1858, at which time the first installment of notes was ordered to be delivered to the directors of the branches. The register of circulation of the Iowa City branch shows December 30, 1858, as the date of receipt of the first notes, the notes being dated January 1, 1859. The

maximum circulation of two hundred per cent of the capital stock was allowed to the original branches at the meeting of the directors on August 11, 1859.²⁷²

One of the important problems with which the Board of Directors was confronted, especially during the early months of the Bank's history, was the consideration of the applications of associations seeking admission as branches. In addition to the seven branches admitted subsequently to the first organization, a number of other would-be members were rejected. The history of the State Bank of Indiana, where a single opposing vote could prevent the establishment of a new branch, shows that dangerous possibilities lurked in the provision that membership in the system depended on the favorable vote of the existing members. Logansport was kept out of the Indiana institution by the opposition of Lafayette.²⁷³ The provisions of the Iowa law on this point were subjected to considerable criticism during the passage of the act. But there is no evidence to show that the directors excluded deserving applicants in order to preserve a monopoly for themselves. The Board of Commissioners, a disinterested body, rejected eleven out of nineteen applications and declined to consider applications from four other towns. When the directors assumed this function there was thorough consideration but fewer rejections.

When considering applications the Board exercised great care in examining certificates, verifying the specie paid in, and investigating the responsibility of stockholders. The cost of these examinations was borne by the applicants whether accepted or rejected. Applications from McGregor and Cedar Rapids were refused on the ground that too large a proportion of the stock was owned outside of the locality or State. In the case of McGregor, \$12,000 of the \$50,000 authorized stock was owned in Dubuque, and from \$6000 to \$7000 was owned in New Hampshire. Cedar Rapids was

rejected on the ground that one-fourth of the capital was owned by residents of Chicago. It was felt by the Board that outsiders would have few interests in common with the people of the community for whose benefit the bank should be managed. In the case of McGregor the objection was met and admission followed. Waterloo and Cedar Falls were simultaneously rejected on the ground that the establishment of a branch in Black Hawk County was then of doubtful expediency.²⁷⁴

SUPERVISION OF THE BRANCHES

The soundness of the provision for mutual responsibility of branches was clearly demonstrated. A report reached the Executive Committee that the cashier at Muscatine was pursuing an unwise policy, and an examination was made on January 5, 1860. It was shown that the affairs of the bank were in bad condition, but it was deemed possible to save the branch and lessen the loss to the bondsmen of the cashier by continuing in business under the direction of the Executive Committee. Mr. Stone, of Washington, a member of the Executive Committee, was given one share of stock and thereby qualified to act as director and chairman of the board of directors of the branch. The assistance of the other branches was secured and the affairs of the branch were satisfactorily arranged. There was loss to some stockholders, but not a cent was lost by depositors or note holders. The bank did not suspend its regular business at any time and eventually paid good dividends.²⁷⁵

At a later date the Fort Madison branch became involved in difficulties of a less serious nature. A committee appointed to investigate its affairs reported on May 14, 1863, that the branch was in serious condition. They recommended that the State Bank take charge of the assets in the interest of the State Bank and of the stockholders of the branch. Elihu Baker, the Secretary, was appointed re-

ceiver, but a proposition was made by Geo. P. Eaton, cashier at Fort Madison, which proved satisfactory for an adjustment of the matter. He offered to deposit coin, safety fund securities, and currency to the amount of \$120,000 with the President of the State Bank. This was done and the entire control of affairs of the branch was left in the hands of the local directors. This fund was to be returned in proportion as the branch retired circulation. From the records of the plan it seems to have proved successful, for in November of the same year \$25,000 was returned and a little over a year after the investigation all of the special funds were returned to the Fort Madison branch.²⁷⁶

It must not be inferred that it was the policy of the State Bank to assume unnecessary control over the affairs of the branches. On one occasion complaints were made against the Mt. Pleasant branch. A committee of the directors appointed to consider these complaints reported that in the main the affairs were conducted properly and that most of the trouble was caused by local jealousy arising from the election of directors. The committee concluded that "where the safety and good standing of the Branch is not endangered, it is not a matter requiring the attention or interference of this Board."

Rules were laid down from time to time and orders issued to the branches, but these were general in their nature. In May, 1859, the directors passed a resolution advising the branches to keep their New York and Boston accounts with regular bankers rather than private bankers. At one time the branches were ordered to close their Chicago accounts with the prominent firm of Solomon Sturges and Son within sixty days "on account of the legal disabilities under which the otherwise responsible head of that house is understood to be placed by his insanity." At their meeting on August 16, 1860, the Board passed a resolution that branches be required to report monthly the amount of overdrafts.²⁷⁷

AID DURING THE CIVIL WAR

During the emergency of the Civil War the State Bank bore its share of the burden of placing loans and supplying credit. This aid was first extended to the State government and later to the Federal government. When the call for troops came, Iowa was very poorly prepared to meet the demands made upon the Commonwealth. There were no arms or equipment for soldiers, the militia was unorganized, the financial administration was very weak, and there were no funds in the treasury. When the Secretary of War called upon Governor Kirkwood to furnish troops for immediate service, the Governor promptly issued a call for volunteer companies. He acted upon the assumption that the State would pay the expenses of the troops until they were mustered into Federal service. The Governor wished to avoid the expense of an extra session of the legislature until it proved necessary, but funds had to be provided. It was in this crisis that the State Bank came to the aid of the Commonwealth.²⁷⁸ The branches were prompt in offering the Governor assistance. Party spirit was entirely subordinated to the thought of service. Democrats like W. T. Smith of Oskaloosa and W. F. Coolbaugh of Burlington offered their financial support as willingly as such staunch Republican bankers as Hiram Price of Davenport and Ezekiel Clark of Iowa City. J. K. Graves of Dubuque notified Governor Kirkwood to draw on the branch of the State Bank there for thirty thousand dollars and the draft would be honored.²⁷⁹

Not only did the banks in their corporate capacity offer material assistance, but prominent among the individuals who supported the State finances in the crisis were well-known officers or stockholders in the State Bank. Among these may be mentioned Hiram Price of Davenport, Ezekiel Clark of Iowa City, Samuel F. Miller of Keokuk, and Governor Kirkwood himself.²⁸⁰

The Bank continued its aid to the State government, protecting its credit in every way possible, buying bonds, and marketing warrants in anticipation of revenue to be collected. The *Dubuque Herald* sums up this service in these words: "The State Bank of Iowa has added much both at home and abroad to the financial reputation of the State. The several branches made liberal advances to Governor Kirkwood at the commencement of the rebellion and now own nearly two-thirds of the whole indebtedness of the State, the Dubuque Branch alone owning one-fifth of the entire amount."²⁸¹

The State Bank also aided in selling the obligations of the Federal government. Treasury notes and bonds of the United States government were on sale at the various branches. For instance, in one issue of the local paper the Iowa City branch advertises that it is the authorized government agency for the United States five to twenty-year six per cent bonds, and states further that it has on hand a full supply of all denominations. On another page explanation is made of an arrangement whereby people with surplus funds may buy two-year Treasury notes bearing five per cent interest. The State Bank had ordered \$50,000 of these notes in denominations of \$50 and \$100.²⁸²

AS FISCAL AGENT OF THE STATE

From the outset the State made a limited use of the branches of the State Bank as its fiscal agents. The State Auditor's reports show balances in the State Bank as follows:²⁸³ November 7, 1859, \$10,035.58; November 4, 1861, \$9944.84; November 2, 1863, \$14,604.82.

Governor Lowe in 1860 recommended a more extensive use of the State Bank as a fiscal agency. He stated that revenue was being paid into the nearest branch of the State Bank in the more populous counties and thence forwarded to the capital at the risk of the Bank and on reasonable

terms. He favored extending this service by disbursing on warrants directed to the branches. This, he argued, would save moving money in both directions, thus lessening risk and expense. No action appears to have been taken by the legislature to make this possible.²⁸⁴

REDEMPTION OF NOTES IN GREENBACKS

The most difficult problem in connection with note issue which confronted the Board of Directors during the Civil War came when the United States government began the issue of Treasury notes. Without waiting for this difficulty to come before any individual branch for discussion the Board of Directors anticipated the matter by taking decisive action on February 12, 1862. The President appointed a committee to consider the question and to suggest a course of action. The strength of the Bank was shown to be such that it was entitled to the confidence of the public. The monthly report of February 3, 1862, showed a specie reserve of \$754,412.23 and a circulation of \$1,111,908 less \$140,000 held by the banks themselves. It was expected that Congress, in passing the act to authorize \$150,000,000 of Treasury notes, would make them legal tender. The branches would then be required to receive them in all payments. If they continued to redeem their own notes indiscriminately their supply of specie would be depleted. The parties to benefit would be non-resident brokers, at that time engaged in collecting notes of the Bank. The people of Iowa would gain nothing and specie would be drained off to the profit of speculators.

The committee, after thus setting out the facts in the situation, proposed that whenever the bill passed making Treasury notes legal tender it would not, in the opinion of the Board, be a forfeiture of its charter for a branch to use Treasury notes to redeem its circulation. While the branches were left to their own discretion regarding redemption for

outsiders, the committee held that they must under all circumstances redeem in coin for all bona fide holders amongst the people of the State. The report of the committee was accepted by the Board.

At the May meeting of the Board it was voted unanimously that in case of suit brought against any branch because of redemption in Treasury notes instead of specie, the branches should mutually support one another and pay the costs in proportion to their paid-up capital. The President and executive council were authorized to employ legal counsel, to coöperate with such branch. In August, 1862, the President was specifically authorized to employ counsel to defend a suit against the Lyons City branch. No further notice is found of this matter, nor is there any record of suit.

Care was exercised to see that branches did not abuse the privilege granted them in this respect. Charges were made against the branches at Burlington, Keokuk, Oskaloosa, Lyons City, and Muscatine by parties who claimed that these branches had committed an act of insolvency by failing to redeem in coin. Committees were appointed by the President and in each case the branch was found to have offered to redeem in United States legal tender notes. This was not considered improper by the Bank, nor was it regarded as an act of insolvency. As noted above, the branches were closely restrained by the Bank against disposing of their specie for their individual profit.²⁸⁵

HIGH STANDING OF STATE BANK NOTES

From its inception the State Bank sought to establish a sound currency in Iowa. This policy was continued during the Civil War, when the standard became the United States notes. In order to attain this end and to obtain the profits from its own circulation, the Bank undertook to drive out the notes of unsound banks of neighboring States. When the State Bank notes were first put into circulation certain

brokers and private bankers made it a policy to return the circulation of the branches for redemption. This was an easy way to obtain specie and might cause embarrassment to the branches. Chester Weed, President of the State Bank, raised the question as to the best way to meet this threatened run, whether to pay in coin or furnish exchange at some fixed rate. The law fixing the mode of redemption in specie was, however, strictly adhered to and no trouble seems to have developed.²⁸⁶

By the terms of the law the State Bank was prohibited from knowingly putting doubtful notes in circulation. At an early meeting of the Board a resolution was passed condemning the circulation of Minnesota banks. Branches were advised not to receive them in deposit or continue their circulation. Depreciation of these notes was so great that the President and Secretary were requested to correspond with specie paying banks in Kentucky, Ohio, Indiana, and elsewhere relative to the expediency of forming some organization for the purpose of establishing a rate of redeeming circulation as nearly uniform as practicable and to secure for "a legitimate circulation the advantages it is entitled to." So far as the branches themselves were concerned, the directors early went on record as favoring the mutual protection of each other's notes. They were advised to hold State Bank notes and pay out the circulating notes of foreign banks.²⁸⁷

The general acceptability of the notes was promoted by the fact that the notes of all the other branches were legal tender in payment of any debt due to a branch of the State Bank.²⁸⁸ Iowa law required the payment of taxes in specie, which was a great inconvenience to taxpayers. In his message to the legislature in 1860 Governor R. P. Lowe recommended that the notes of the State Bank be received in payment of taxes. He believed that since the State had given its name to the Bank and regularly appointed three of its

directors, it should be willing to receive its notes. On this recommendation no action was taken at that session of the legislature.²⁸⁹

Upon the renewal of the recommendation in 1862 by Governor S. J. Kirkwood the General Assembly acted promptly. The notes were made a legal tender for all payments of taxes and for all payments of interest and principal of the school fund.²⁹⁰ But a clause was added to the effect that the notes were not to be so received after the suspension of specie payments by any one of its branches. In the meantime United States Treasury notes were issued and made legal tender. A general suspension of specie payments resulted and the State Bank of Iowa found it necessary to suspend redemption in specie and substitute redemption in legal tender. Additional legislation was necessary to place the State Bank notes on a par with the "greenbacks" and the national bank currency authorized in 1863. Governor Kirkwood again recommended acceptance of State Bank notes as long as they were redeemed in legal tender notes. Again the legislature responded and national bank notes, greenbacks, and State Bank notes were all received in payments by county treasurers. This time the branches of the State Bank were merely required by the law to redeem their issues.²⁹¹

In spite of the preference given to notes of the State Bank, foreign bank notes occupied a very large place in the circulating medium. In accordance with Gresham's law the circulation of the more doubtful bank currency seems to have been promoted while the notes of the State Bank, which were redeemed promptly when presented, were hoarded.²⁹² A law to expel "wild cat" currency from Iowa was passed and became effective on July 4, 1864. Since the law did not prohibit the circulation of national banks, it did not give a monopoly of note issue to the State Bank. The opposition to the bill was very intense in both the Senate and the House

of Representatives, since private bankers and brokers had made large profits by putting in circulation the inferior notes of distant banks. The effects of this law can not be accurately evaluated, for in the following year Congress passed legislation which entirely eliminated State bank notes. The author of the bill, however, held that it "terminated the existence of currency of doubtful value in the State"; but this is an overestimate of its importance. Iowa could not prevent the issue of such notes and, unaided by national law, would have found it difficult to prevent their circulation. There was no good reason why notes of solvent specie-paying banks of other States should not have been received. This opinion was voiced by some of the Iowa newspapers in opposition to the law. The brief period of its existence makes the question as to the extent of its enforcement uncertain.²⁹³

In spite of competition from notes of banks located in other States and later from the national banks, the volume of circulation was large. The outstanding circulation passed the half-million dollar mark by the end of the first year. At its maximum, in the early months of 1864, the note circulation was over a million and a half dollars. This was almost up to the maximum permitted by the law, unless the capital stock should be increased.

RETIREMENT OF CIRCULATION

The retirement of the currency of the State Bank was caused by the establishment of the national banking system. It was on February 25, 1863, that the national banking act was passed by Congress. The revenue act of March 30, 1863, taxed the notes of State banks two per cent, which was just double the tax imposed on the national currency. It was hoped thereby to induce State banks to come into the national banking system. But the law was not entirely satisfactory and the growth of the system was slow. In June,

1864, the law was entirely revised, and on March 3, 1865, it was again amended with the purpose of taxing State bank notes out of existence. A ten per cent tax was imposed on State bank notes paid out by any bank after July 1, 1866. This ten per cent tax was later extended to State bank notes used in payment by anyone. The legislation amounted in effect to a prohibition on note issue by State banks or by any persons or associations.²⁹⁴

Even before the passage of the national banking act the directors of the State Bank of Iowa considered plans for going into the national system. On February 11, 1863, a resolution was introduced at the regular meeting of the directors to provide for retiring the circulation of the branches. This resolution was laid on the table pending the final passage of a bill then before Congress. At the May, 1863, meeting of the Board, the committee on national currency reported that in addition to the currency procured from the State Bank of Iowa any branch bank had the right to procure government currency under the provisions of section sixty-two of the national banking law.²⁹⁵ This section permitted banks organized under State law to issue circulating notes without becoming national banks. A State bank to be entitled to this privilege must be the owner of United States bonds to the amount of fifty per cent of its capital stock. By transferring these bonds to the custody of the Treasurer of the United States the bank was entitled to receive from the comptroller notes similar to national bank notes, equal in amount to eighty per cent of the amount of the bonds so delivered.²⁹⁶ The report of the committee was accepted but no evidence appears that regulations governing such action were adopted by the directors, nor is there any other indication that this privilege was made use of. The terms of note issue under the State Bank law were more liberal, hence there was at first little reason for the banks to seek national currency.

The outstanding circulation of State Bank notes attained its maximum early in 1864. The revision of the national banking act of June, 1864, made the system more attractive to State banks and made it evident that the purpose of the national administration was to supplant all State bank notes by national currency. In November, 1864, the first steps toward contracting the State Bank circulation were taken. A resolution was passed by the Board of Directors recommending that the branches reduce their circulation, within the next ninety days, to an amount equal to the paid-up capital of each branch. At that time the outstanding circulation was \$1,428,432 and the capital \$1,031,925. Thus the contraction to the point contemplated involved retiring nearly a third of the notes outstanding. In addition to this contraction the branches were required to provide redemption in Chicago.²⁹⁷

At the meeting of the Board in February, 1865, preparations were made to dissolve the State Bank and wind up its affairs. All blank notes in the custody of the Secretary were burned by order of the Board. Steps were then taken to draw in the circulation outstanding, but these provisions were prefaced by a resolution to the effect that no branch could be released from its liability until "all the Circulation of all the Branches is redeemed or its redemption is provided for beyond a doubt." After the 15th of March the branches were prohibited from paying out their own notes or the notes of any other branch. At least once each month the branches were required to send to the Secretary all State Bank notes in their possession. They were also required to keep a redemption fund of two per cent of their circulation with the Secretary. Stringent penalties were provided for the violation of these regulations. S. J. Kirkwood and S. D. Viele were appointed as a special committee to burn the circulating notes which came in during the vacation of the Board.²⁹⁸

Steps were taken in May, 1865, looking to the complete retirement of the circulation. Before June 15, 1865, each branch was required to deposit with the President of the Bank approved securities or legal tender notes equal to seventy-five per cent of its outstanding circulation. The amount so deposited by the branch must remain in the hands of the President until, by the redemption of its notes, the amount of notes outstanding equalled in amount the securities so held. Thereafter the branch would be permitted to withdraw securities in sufficient amount to keep the circulation and securities deposited equal. Branches were permitted to reduce their capital stock to \$50,000—provided this did not violate the law fixing the proportion of circulation to paid-up capital.²⁹⁹

The last regular meeting of the State Bank directors convened in Iowa City on August 16, 1865. A resolution was passed that any branch having a safety fund equal to or in excess of its outstanding circulation be permitted to divide its capital stock as the stockholders deemed expedient. October 31st was set as the last day upon which notes would be redeemed through the Iowa City office. The Secretary was directed to close the Iowa City office and dispose of the furniture and fixtures before November 1st. Any further meeting of the Board was to be held in Davenport at the call of the President. S. J. Kirkwood and S. D. Viele were appointed a committee to act with the President in all matters connected with closing up the affairs of the Bank. Their action was binding in the same manner as a resolution of the Board.³⁰⁰

An informal meeting of the Board was held at Davenport on November 22, 1865. At this meeting exchanges were made and balances settled between the branches. The circulation returned, amounting to \$35,460, was burned. This was the final act in the short but successful life of the State Bank of Iowa. The brief minutes of this meeting were

signed "H. Price, Prest." and written in his handwriting. The minutes of all other meetings are signed by "Elihu Baker, Secty", frequently also with Mr. Price's name; but Mr. Baker's signature is not affixed to the closing record.³⁰¹

The branches thereafter redeemed small amounts of the circulation and burned it. State Bank currency had so fully acquired the confidence of the people that it was a slow process to get it all in. The circulating register of the Iowa City branch shows that notes were burned on August 31, 1866, and on April 24, 1867, and that the final date of redemption was November 14, 1867.³⁰² According to this record hundreds of dollars were never returned for redemption—presumably being lost or destroyed. In this case it was a clear profit to the bank and not to the government, as is the case with notes lost or destroyed under the national banking act.

BRANCHES CONVERTED INTO NATIONAL BANKS

The chief function of the State Bank had been the supervision of note issue. With the retirement of the circulation, the individual branches accepted the opportunity of becoming national banks. At the directors' meeting in February, 1865, the Merchants branch at Davenport was given permission to increase its capital solely for the purpose of becoming a national bank. The Burlington branch became the National State Bank of Burlington. The Iowa City National Bank succeeded to the business of the branch at that place, taking over its deposits and business in April, 1865. The Des Moines branch became the National State Bank in 1865. The Washington branch formed the First National Bank on April 30, 1865. The Keokuk branch became the State National Bank of that place with a capital of \$150,000. Its successor is now the State Central Savings Bank. Nearly, if not all, of the other branches also entered the national system.³⁰³

VOLUME OF BUSINESS

The financial condition of the State Bank of Iowa during its existence can best be understood through a study of some representative bank statements which are presented in Table I. These statements cover the period from February 7, 1859, down to April 3, 1865.

TABLE I

COMBINED STATEMENTS OF THE BRANCHES OF THE STATE BANK OF IOWA ³⁰⁴				
ASSETS	Feb. 7, 1859	Feb. 6, 1860	Feb. 4, 1861	July 7, 1862
SAFETY FUND	\$ 31,680.40	\$ 107,832.71	\$ 140,418.19	\$ 220,867.27
SPECIE	171,248.64	284,431.98	382,478.49	659,377.86
NOTES OF OTHER BANKS	82,258.00	361,658.00	546,829.00	459,894.00*
DUE FROM OTHER BANKS	95,365.59	266,714.32	345,689.04	529,393.87
LOANS AND DIS- COUNTS	155,414.49	822,964.16	1,186,869.93	1,175,900.99
U. S. AND STATE BONDS				
OTHER ITEMS	27,698.81	103,001.91	96,882.88	78,544.57
TOTAL ASSETS	563,665.93	1,945,803.08	2,699,161.98	3,123,978.56
LIABILITIES				
CAPITAL	\$ 215,550.00	\$ 473,020.00	\$ 614,130.00	\$ 737,170.00
CIRCULATION	106,798.00	634,163.00	652,406.00	1,149,935.00
DUE TO OTHER BANKS		32,797.18	47,855.61	23,039.00
DEPOSITS	235,383.31	757,542.76	1,279,498.03	1,110,453.33
OTHER ITEMS	5,938.62	49,080.14	105,272.34	103,381.23
TOTAL LIABILITIES	563,665.93	1,945,803.08	2,699,161.98	3,123,978.56
* Included United States notes				

TABLE I (continued)

COMBINED STATEMENTS OF THE BRANCHES OF THE STATE BANK OF IOWA				
ASSETS	Dec. 7, 1863	Apr. 4, 1864	Jan. 2, 1865	Apr. 3, 1865
SAFETY FUND	\$ 238,900.00	\$ 251,905.54	\$ 308,905.54	\$ 338,228.74
SPECIE	440,285.22	418,710.01	389,802.11	151,049.24
NOTES OF OTHER BANKS	734,056.02*	1,050,436.34*	1,300,481.76*	811,641.38*
DUE FROM OTHER BANKS	461,196.11	708,465.29	668,511.81	541,822.08
LOANS AND DIS- COUNTS	2,123,146.10	2,241,283.49	2,468,362.53	1,859,368.89
U. S. AND STATE BONDS	423,876.83	440,836.89	361,182.71	425,504.37
OTHER ITEMS	104,662.61	123,824.50	122,844.95	132,537.99
TOTAL ASSETS	4,526,122.89	5,235,462.06	5,620,091.41	4,260,152.69
LIABILITIES				
CAPITAL	\$ 969,320.00	\$ 994,320.00	\$1,048,200.00	\$1,011,000.00
CIRCULATION	1,416,811.00	1,532,739.00	1,439,764.00	1,029,526.00
DUE TO OTHER BANKS	51,228.82	91,161.73	34,929.57	118,714.94
DEPOSITS	1,943,959.69	2,362,426.00	2,851,462.10	1,687,791.73
OTHER ITEMS	144,803.38	254,815.33	245,735.74	413,120.02
TOTAL LIABILITIES	4,526,122.89	5,235,462.06	5,620,091.41	4,260,152.69
* Included United States notes.				

It will be noted that the Bank maintained a large volume of specie during the war period when it was no longer required to redeem its notes in specie. The "notes of other specie paying banks" included, after 1862, the United States notes and later national bank notes. Loans and discounts reached a total of about two and one-half millions. The high-water mark of the Bank's resources is shown to be January 2, 1865, when the combined resources were over five and one-half million dollars. Circulation reached its height in April, 1864, with a total of over one and one-half

million dollars. With the note circulation at its highest point, the deposits exceeded circulation by more than fifty per cent; thereafter the proportion of deposits to notes increased.

PROFITS EARNED BY THE BRANCHES

To its owners the institution was a source of very considerable profit. Dividends declared by the branches had first to receive the approval of the Board of Directors of the State Bank. The record of the directors' action on the proposed dividends enables us to determine the amounts paid. Dividends were allowed semi-annually, but the banks were not regular in their payments. Considerable variation is found between the various branches, showing that mutual responsibility for notes did not in any way hamper the managers of the various branches in making profits for the stockholders. Beginning with the meeting of November 17, 1859, dividends were approved as shown in Table II.

In addition to the dividends paid, a surplus fund was created out of the earnings. During the consideration of the bill by the Senate various attempts were made to require that a certain proportion of the earnings be set aside as a permanent surplus fund.³⁰⁵ No action was taken by the legislature, but the directors ruled that before declaring the first dividend a contingent fund of one per cent of the paid-up capital must be set aside. Later this surplus requirement was raised so that no dividend was to be permitted unless the branch had a clear surplus of ten per cent after declaring the dividend. This amount was soon reduced, however, to five per cent.³⁰⁶ The abstracts of the statements as published by the Bank do not show this surplus as a separate item. Accordingly it is not possible to determine the exact total profit. The heavy dividends allowed in May, 1865, probably represent a distribution of this surplus to the stockholders. For some branches there is no such distri-

TABLE II

PER CENT OF DIVIDENDS PAID BY BRANCHES OF THE STATE BANK OF IOWA³⁰⁷

NAME OF BRANCH	DATE OF ADMISSION	Nov. 17, 1859	May 17, 1860	Nov. 16, 1860	Nov. 14, 1860	May 15, 1861	Nov. 13, 1861	May 14, 1862	Nov. 12, 1862	May 13, 1863	Nov. 11, 1863	May 11, 1864	Nov. 16, 1864	May 10, 1865
DAVENPORT	Oct. 6, 1858	8	4		12	10		10	10	12	10	30	10	
DES MOINES	Oct. 6, 1858	7	7		7	*		5	10	10	10	15	10	30
DUBUQUE	Oct. 6, 1858	6	5		5	5		*	5†					
IOWA CITY	Oct. 6, 1858	5	5		9				6	5	40	10	10	20
KOKUK	Oct. 6, 1858	5	5		10	10		5		*	5	5	5	25
Mt. PLEASANT	Oct. 6, 1858	4	5		5			5	5	*				
MUSCATINE	Oct. 6, 1858	6									5			50
OSKALOOSA	Oct. 6, 1858		10		9	6				*		6	*	
LYONS CITY	Feb. 17, 1859						20		12½†		5	20	5	10
BURLINGTON	Mch. 18, 1859	5	5		5‡	5	5	5	10	5	20	20	10	50
WASHINGTON	Mch. 18, 1859	5	5		7½					*	25	70	10	50
Ft. MADISON	Aug. 11, 1859				10	*		10						
MCGREGOR	Feb. 15, 1860										5		32	
COUNCIL BLUFFS	Nov. 14, 1860								14.2**		20		40††	
MAQUOKETA	Feb. 10, 1864													10

* Dividend not approved.

† Approved at the meeting, February 12, 1863.

‡ Dividend of \$10 per share approved, approximately 12½% on paid up capital.

§ Approved at the meeting, February 13, 1861.

** Dividend of \$12.50 per share approved, approximately 14.2% on paid up capital.

†† Approved at the meeting, February 15, 1865.

bution shown, but a surplus fund must have existed in all cases. The directors were given authority over the property when the bank note obligation was met, so undoubtedly there was a distribution of assets either in the form of cash or of additional stock in the national bank which succeeded to the business. Moreover, the carefully guarded store of specie was worth a high premium over its book value when the banks closed their business as branches of the State Bank to become independent institutions. The minute book shows that on July 27, 1865, the directors of the Iowa City branch voted to allow John Connell twenty per cent premium on his gold deposit.³⁰⁸ As a matter of fact the gold premium was probably greater at the time, for the lowest premium in 1865 was twenty-eight and five-tenths per cent and the highest was one hundred thirty-four and four-tenths per cent.³⁰⁹

RECAPITULATION OF THE RECORD OF THE BANK

Through the perspective of more than half a century the career of the State Bank of Iowa appears most honorable. Its legislative founders builded sanely and well. The real credit for its success, however, must be given to the men who ruled its policies and practices throughout its existence. Its life history included the entire period of the Civil War. If we date its beginning from October 27, 1858, when the directors first met in Iowa City, and fix its closing date on November 22, 1865, when the records of the Bank were closed with the informal meeting in Davenport, the period of its existence was seven years and twenty-five days. But it can hardly be said to have conducted business that long, for before the final date the office in Iowa City was closed and the branches were carrying on business under national charters.

The Bank's success might be measured in various ways, but among the most important three may be mentioned: its

ability to make satisfactory returns to the owners; its service in supplying a reliable bank currency; and its skill in avoiding political entanglements. Evidence of success in the first of these particulars has already been furnished by the dividend record of the institution. Its record of earnings compares favorably with that of the highly successful State banks of Indiana and Ohio, and furnishes a striking contrast to the State-owned State Bank of Illinois, which cost the State treasury about half a million dollars in addition to heavy losses by individuals.³¹⁰

In estimating the ability of the State Bank to supply a sound bank currency the period during which the Bank existed must be considered. A study of the mixed and depreciated currency of that day emphasizes the importance of a uniform bank currency always redeemable at par in legal tender funds. The notes of the State Bank of Iowa deserved and won the public confidence and filled an important place in the circulating medium of Iowa.

A third test for a bank of that period was its ability to keep out of politics. The Second Bank of the United States had been a political football for nearly ten years. The Miners' Bank of Dubuque was the center of a political struggle in the Territory of Iowa throughout its stormy career. Banks in neighboring States were smirched by political graft and corruption. Even the State Bank of Indiana was unable to keep out of politics; and its successor, the Bank of the State of Indiana, chartered in 1855, was conceived amid graft and corruption.³¹¹ No political stain soils the record of the State Bank of Iowa.

Its services to the public and to the State in the hour when the soldiers of Iowa were arming to preserve the nation's unity have been recounted. To a splendid business record, it thus added financial service to the State in the time of need. In the words of its able President: "It *lived* and operated to benefit and to bless, and it *died* to give place to

the Nation's favorite, and its record ought to be an inspiration and a benediction in the world of commerce, and its history a beacon star in the firmament of honest financing.'³¹²

VII

ESTABLISHMENT OF THE PRESENT BANKING SYSTEM

When the State Bank of Iowa ended its career and its branches became a part of the national system, an epoch in Iowa banking history was closed. All State laws devised especially to regulate banking became obsolete when the Federal government taxed out of existence the notes of State banks. There are many banks now in Iowa which began their career before the Civil War, but with a very few exceptions they were formerly either private banks or branches of the State Bank. The exceptions are banks incorporated under the general incorporation law to carry on a banking business, not involving the function of note issue. The Miners' Bank of Dubuque was a bank of issue; the regulations in the free banking law were chiefly to protect note holders; the purpose of the State Bank plan was to unite the branches in mutual responsibility for the notes which they had issued.

After the Federal legislation of 1865 became effective, the function of note issue was entirely given over to the national banks. For a decade State legislation gave little special recognition to banking. Authorized banking in Iowa was centered in the national banking system. Moreover, the national banking law furnished the model for the later State legislation. At the outset some of its supporters expected the national system to attain a monopoly of banking, and this is a partial explanation for the failure of the States generally, Iowa included, to provide for banking under State law.³¹³

The need for a uniform and sound system of note issue had long been felt in the United States. Conditions in Iowa which have been described elsewhere were typical of the situation in the entire country. Political entanglements caused the death of the Second United States Bank by the close of the year 1836. Its demise was followed by several unsuccessful attempts to establish a third United States bank. In 1846 the Independent Treasury System was permanently established to care for public funds. Note issues were fairly uniform in quality, while the first and second United States banks were in existence because of their policy of discriminating against banks which did not redeem notes promptly in specie. Thereafter examples of good and bad banking are to be found in different States at the same time and in the same State at different times. On the whole, by 1860, the eastern States were on a sound basis, while the West and South, with a few notable exceptions, such as during the period of the State Bank of Iowa, were still passing through a period of "wild cat" banking.

ORIGIN OF THE NATIONAL BANKING SYSTEM

Exigencies of war brought the next national reform in banking. In the necessity of the times the national banking system had its birth. In 1861 Salmon P. Chase, formerly Governor of Ohio, became Secretary of the Treasury. In his finance report for 1861 Secretary Chase presented to Congress the advantages to be derived from a national currency. His hope was pinned to a system which would make use of the existing banking institutions on a voluntary basis.³¹⁴

The germ of the national bank idea is to be found in the free banking system first adopted in New York in 1838. This provided for a system of local banks each authorized to issue notes secured by the deposit of State securities. The fundamental idea of the national banking system was

the same, except that national securities were to be used as the basis of circulation. This would, it was thought, achieve two main purposes: provide a uniform and sound currency, and create a market for government bonds.

Abundant evidence may be found of the demand for uniformity in the currency. An article "By a Western Banker" in *Hunt's Merchants' Magazine* for January, 1863, describes the situation very well:

In the West the people have suffered for years from the issues of almost every State in the Union, much of which is so irredeemable, so insecure, so unpopular, as to be known by opprobrious names rather than the money it pretends to represent. There the frequently worthless issues of the State of Maine and of other New England States, the shimplasters of Michigan, the wild cats of Georgia, of Canada, and Pennsylvania, the red dogs of Indiana and Nebraska, the miserably engraved notes of North Carolina, Kentucky, Missouri, and Virginia, and the not-to-be-forgotten stump-tails of Illinois and Wisconsin are mixed indiscriminately with the par currency of New York and Boston, until no one can wonder that the West has become disgusted with all bank issues and almost unanimously demand that such a currency shall be taxed out of existence, and give place to a uniform national currency.³¹⁵

Not only was there want of uniformity of notes as originally issued, but alterations and counterfeits added to the confusion. Dewey says regarding the then existing conditions: "All told, about 7000 different kinds of notes circulated, to say nothing of successful counterfeits. Over 3000 varieties of altered notes were afloat, 1700 of spurious notes, and over 800 varieties of imitations, making more than 5500 varieties of fraudulent notes In 1862, only 253 banks issued notes which had not been altered or imitated."³¹⁶

Although the plan of Secretary Chase received little support in Congress in 1861, he renewed the proposal in his second annual report in December, 1862. At that time he asserted that the bonds needed as security for circulation

would amount to \$250,000,000. Pointing out the advantage to be gained from a considerable and continuous market for bonds as a further argument for the proposed system of national banks, he urged also the advantage of having a system of government supervised banks as depositories for the public money then being collected under the internal revenue law of July 1, 1862.

Secretary Chase had the support of President Lincoln and his cabinet, but found it difficult to get influential backing in Congress. The support of Senator John Sherman was probably most effective in securing the passage of the measure which was approved by the President on February 25, 1863. This law was repealed and a new measure enacted on June 3, 1864. In its essential features this legislation persisted as the legal basis for the national banking system until the passage of the Federal Reserve Act.³¹⁷

The most important features of the national bank act as amended in June, 1864, are easily described. There was established in the Treasury Department a separate bureau which should have charge of the issue and regulation of the national currency, the chief officer of which was designated the Comptroller of the Currency. Banking associations might be formed by not less than five persons uniting to form an organization. The minimum amount of capital was fixed at \$50,000 for places of less than 6000 population, \$100,000 for places not exceeding 50,000 population, and \$200,000 for all other cities.

Banking associations were chartered for twenty years. They were permitted to discount and negotiate promissory notes, drafts, bills of exchange, and other evidences of debt, to receive deposits, deal in coin, bullion, and exchange, make loans on personal security, and issue notes for circulation. Banks were not permitted to hold real estate except such as was necessary for the transaction of their business or such as was taken in good faith in collecting a debt. The latter

could not be held for more than five years. Investment in real estate mortgages was also forbidden.

Banks were forbidden to make loans on the security of the shares of their capital stock. No person or firm was to be permitted to become indebted to the banking association for a sum in excess of ten per cent of the capital, except for bona fide discount or purchase of bills receivable.

Each bank was required to deposit in the office of the Treasurer of the United States interest-bearing bonds of the United States to an amount not less than \$30,000 nor less than one-third of the capital stock, which were to be held to secure circulation. Notes of denominations from \$1 to \$1000 might be issued to the extent of ninety per cent of the value of the bonds deposited. The aggregate volume of national bank notes was limited to \$300,000,000.³¹⁸

ESTABLISHMENT OF NATIONAL BANKS IN IOWA

The First National Bank of Davenport, Iowa, has the honor of being the first national bank in the United States to begin business under the new law. Application for its charter reached Washington on February 26, 1863, one day after the bill was approved by the President. The bank was No. 15 on the list officially acted upon by the Department on June 22nd and it retained this number until it was rechartered in 1882. Pending official approval, books had been opened for subscriptions to shares on May 25th. In three days the entire \$100,000 were subscribed. On Monday, June 29, 1863, the bank opened its doors for business, two days before any other national bank in the United States. Its deposits on that date were \$80,506.93. Its first installment of notes amounting to \$26,000 was received on January 21, 1864. These notes were the second lot to be engraved, those of the First National Bank of Washington, D. C., being the first. The bank occupied the "Marble Bank" building erected in 1857 by Cook and Sargent. A new building has

been built and the bank's charter has been renewed, but the bank still continues to do business on the original site.³¹⁹

Other national banks were soon established in Iowa. The First National Bank of Iowa City was opened for business on July 13, 1863. It was established with a capital of \$50,000 subscribed in three days. In pointing out the advantages of the new system a local newspaper called attention to the safety of the note issues because "*a dollar and eleven cents*" of United States bonds were to be held for every dollar of circulation, in addition to which there were the assets of the bank and the double liability of stockholders. Uniformity of the currency was also emphasized as a prized boon. The first installment of notes actually appeared several months later. In commenting on these new notes the same newspaper said: "The Public have long waited for the appearance of this currency which is beautiful as a work of art, and will soon become as familiar as the old Greenbacks."³²⁰

The third national bank in Iowa was opened for business on August 17, 1863, at Lyons City. It changed hands on January 4, 1864, and was later merged with the branch of the State Bank of Iowa of that place. These three banks were the only ones that had actually commenced business by October 1, 1863, the date when the Comptroller secured the first quarterly reports from the banks. Three other banks had been granted charters before December 1, 1863; and by October 1, 1864, there were twenty national banks in Iowa. In 1866 this number had grown to forty-five, but it was not further increased until 1871.³²¹

During the early life of the national system it seems to have been most readily accepted in the western States where the size of the banks was small. Secretary Chase, who had expected a large number of existing banks to enter the system, was disappointed in the number and especially in the size of these banks. A committee of the New York Clearing

House in November, 1863, maintained that a considerable number of banks had joined, but that they were small banks of \$50,000 or \$60,000 capital. This committee went so far as to charge that many of these banks were banks of circulation only, of the familiar "wild cat" type—not regular banks of deposit and discount.³²² The Iowa banks were small because conditions in Iowa did not then warrant large banks, but they were unquestionably banks of deposit and discount as well as of circulation. As evidence of their soundness it may be stated that during the first ten years of the history of national banking in Iowa, only one failure is recorded.³²³

Incomplete records of the First National Bank of Iowa City indicate that Iowa banks did their share toward realizing the hope of the founders of the national system that the banks would assist in selling bonds to the public. During the first six months of 1865 this bank alone sold over a half million dollars' worth of the seven-thirty notes—so-called from the interest rate. The local newspaper in commenting on the loyalty of the community in taking the loan also commended the "persevering effort" upon the part of the bank in introducing it. The First National Bank of Davenport also pushed the sale of government securities. On May 28, 1864, its officers forwarded a remittance of \$200,000 as proceeds of the sale of government bonds.³²⁴ This first installment was the result of only a few months of operation.

PRIVATE BANKING

Aside from the national banks, the only banks in Iowa during this period were private, unincorporated institutions and a few banks incorporated under the general incorporation laws of the State. Neither of these types was subject to any special regulation. The private banks were much more numerous than any other class. Since they were not required to make any reports and were unincorporated in-

stitutions, there are no entirely satisfactory and reliable statistics concerning the number and resources of these institutions. The laws of the United States required that returns be made to the Commissioner of Internal Revenue, for purposes of taxation, of the capital and deposits of all banks whether authorized or private institutions. In 1876 the Comptroller of the Currency compiled and published a study of banking in the United States, obtaining data from the Commissioner of Internal Revenue concerning other than national banks. His tables group together State banks, savings banks, trust companies, and private banks. The data given are for the six months ending November 30, 1875.

Iowa is credited with 241 State, savings, and private banks having capital of \$4,223,639 and deposits of \$9,484,568.³²⁵ The State Auditor's report for 1875 gives a total of nineteen savings banks and twenty-three State banks.³²⁶ Although the dates of the two reports are not identical they fall sufficiently close together for purposes of rough comparison. Deducting the forty-two State chartered banks from the Comptroller's total of 241 gives us virtually 200 private banks in Iowa in 1875. *Homans' Bankers Almanac* gives a total of 201 in 1877.³²⁷ The approximate agreement of these figures taken from independent sources is fairly good evidence that the number 200 is nearly correct.

The roots of these private banks go back to the period before the establishment of the State Bank of Iowa. The attempt to prohibit banks had resulted in the formation of a large number of unauthorized firms to carry on banking business. Although denied the right of note issue, business men had found it profitable to maintain banks to exercise the other functions of a commercial bank. The panic of 1857 had swept many of these institutions out of existence, but others took their places. The terms of the free banking law of 1858 had not appealed to them and none sought charters under its provisions. Branches of the State Bank were

denied to several private institutions which sought to be admitted.

Most of the branches of the State Bank and many new associations were attracted by the national banking system. The national banks enjoyed superior credit in the minds of most people, hence there were advantages in incorporating under that system. On the other hand, there were certain disadvantages which operated to prevent the conversion of existing institutions into national banks.

Chief among the disadvantages was the high minimum capital required of national banks. Under the national banking law before 1900, the smallest capital permitted was \$50,000; whereas most of the communities where banks were needed to furnish credit were small, chiefly agricultural, and could not provide so much capital.³²⁸ A second important obstacle to the growth of the national system was the inability to loan on real estate security. In Iowa considerable money was of necessity loaned to the farmer whose best security was his land. This disability was not removed until the passage of the Federal Reserve Act in 1913. The private and State bankers have therefore been freer in this respect than the national banker.

Among bankers, as among other business men, there has existed a desire to be free from supervision and restraint. Gradually there had been forced upon the bankers a recognition of the necessity for public regulation of note issue. But they were unwilling to submit to control where the operations were chiefly discount and deposit. Profitable as the right to issue notes was during the first two decades of the national banking system, there is no doubt that many bankers were willing to forego this source of profit in order to be able to conduct their own business free from government supervision. It is probably true that in proportion to capital employed, private banks were no less profitable than national banks. Probably there was also a fear on the

part of private bankers that taxation would be heavier if they were incorporated. Certain it is that such a reason was urged later by private bankers against compulsory incorporation.

STATE BANKS

In earlier years the right of note issue had been regarded as a very valuable privilege of the banker. Banking methods, however, were changing by the mid-nineteenth century so that banks were no longer dependent on note issue as a source of profit. The expectation, therefore, that existing State or private institutions would be forced into the national system or out of the banking business was not fully realized. In 1860 there were 1562 State banks in the United States. As a result of the repressive influence of the National Bank Act, this number was reduced to 247 by 1868. State banking laws were generally repealed, or rendered obsolete by the fact that most of them were intended to regulate banks of issue.³²⁹ The general or free banking law of 1858—never used and now obsolete—was repealed by the General Assembly of Iowa in March, 1870.³³⁰ For five years the State Bank of Iowa had been out of existence.

In 1860 a law was passed which required that all banking associations incorporated under the general incorporation laws of the State make regular quarterly reports of their condition to the Auditor of State,³³¹ but no other laws were enacted to provide a system of State banks, and so private banks flourished unregulated where the national banks were not adapted to the local conditions. In this respect Iowa was not more backward than other States. Even as late as 1892 there was scarcely any State banking legislation. In a digest of State statute law, Mr. Stimson said: "It seems unnecessary to incorporate the state banking laws in this edition. Nearly all the States, except the newer States and Territories, have special chapters in their corporation acts

concerning banks and moneyed institutions, but these chapters are usually of old date, and have practically been superseded for so long a time by the national banking laws that they have become obsolete in use and form.'³³²

The law of 1860 requiring that reports be made by State incorporated banks seems to have been largely ineffective. No reports were published by the Auditor—if, indeed, any were received.³³³ Before 1870 corporations were permitted to file their articles of incorporation with the county recorders. Since banks were subject only to the general incorporation laws they were not required to secure a certificate from the Auditor or any other State official before commencing business. Complete data concerning banks incorporated under these conditions is not available, but partial records show that banks were incorporated under the general law even before the revision of the Constitution in 1857. The Des Moines County Savings Bank, incorporated at Burlington in 1856, the Merchants Insurance Company and Burlington Savings Bank, incorporated on April 24, 1857,³³⁴ the Davenport Savings Institution, organized on January 25, 1864, as an auxiliary of the First National Bank of that place,³³⁵ the Keokuk Savings Bank, incorporated on December 19, 1867,³³⁶ and the German Savings Bank of Davenport, dating from April 1, 1869,³³⁷ are examples of early banks seeking State incorporation.

In 1870 an amendment to the general incorporation law required the filing of articles of incorporation in the office of the Secretary of State within three months after the law went into effect.³³⁸ But even after the passage of this amendment the banks did not all comply with the law. Such records as are held by the Secretary of State show that five banks were incorporated in 1870, nine in 1871, ten in 1872, and twenty in 1873—a total of forty-four.³³⁹ According to the Auditor's testimony, a considerable number of banks existed, incorporated under the law before the amendment

of 1870, whose articles were not recorded. He treated all such as not incorporated and refused to recommend the appointment of receivers for those that failed. In 1873 incorporated banks were required to make reports to the Auditor of State, but he called for statements only from those whose articles were recorded with the Secretary of State. Twenty-three banks—fifteen savings and eight State banks—reported on September 26, 1873. The panic of 1873 had swept some banks out of existence, but incomplete records, quite as much as liquidations, account for the smaller number. Two years later the first satisfactory statistics of State incorporated banks were secured. At that time forty-two banks—nineteen savings and twenty-three State banks—made reports.³⁴⁰

The *Code of 1873* contains the first effective regulations concerning State banks. In it the provisions of the law of 1860 specifying that quarterly reports should be made to the Auditor were reënacted, with the amendment that, instead of the report being due on certain specified dates, the Auditor was required to call for a statement as shown by the books of account upon some specified past day. The Auditor was also authorized to make, or cause to be made, an examination of any banking association operating under the general incorporation law. The minimum amount of paid-up capital allowed for State incorporated banks was fixed at \$25,000 for banks in towns having a population not exceeding 3000 and \$50,000 for banks in all other towns or cities. It was the duty of the Auditor to see that this capital requirement was fully met before issuing a certificate to the stockholders of a bank authorizing them to commence business. Without such a certificate no State incorporated bank could legally carry on its business. The Auditor was also charged with the duty of notifying the Attorney General whenever he was satisfied that a bank was insolvent, which was then to be placed in the hands of a receiver and its

affairs wound up. In settling its obligations the depositors were to be regarded as preferred creditors. These provisions of the *Code of 1873*, with revisions and amendments, remain as the basis for regulation of State banks in Iowa up to the present time.³⁴¹

THE SAVINGS BANK LAW OF 1874

Even before the enactment of the *Code of 1873*, the provisions of which applied to savings banks also, Governor Samuel Merrill in his second biennial message of January 10, 1872, recommended that laws be passed regulating savings banks.³⁴² His successor, Governor Cyrus C. Carpenter, called attention to the fact that the provisions as set forth in the Code did not meet the requirements of a sound savings bank law. He made certain recommendations and urged the legislature to act on the matter.³⁴³ The Fifteenth General Assembly passed the needed legislation and thus, on March 21, 1874, established the savings bank system of Iowa.

Under the terms of the law of 1874 five or more persons were permitted to incorporate under the general incorporation laws for the purpose of establishing a savings bank. Detailed instructions were laid down according to which existing savings banks were required to reorganize so as to conform before July 1, 1875, to the provisions of the act. The articles of incorporation were to be filed in the county recorder's office and a certified copy deposited in the office of the Secretary of State. Incorporation could be for a maximum of fifty years; and the ordinary powers of a corporation were vested in these banks.

The minimum amount of capital was fixed at \$10,000 in towns of less than 10,000 population and \$50,000 in larger towns. Shares of stock could not be issued until certified by the Auditor as fully paid. If the Auditor deemed it necessary he was authorized to make a personal examination of

the bank and its condition before granting the right to begin business. Shares must be \$100 each. Double liability for shareholders was prescribed, and the liability of a shareholder was not affected if the bank became insolvent within six months after the transfer of the shares on the books of the corporation. In any case where it was desired to increase the capital stock, two-thirds of all the stockholders must favor the increase.

Control of each of the banks was vested in a board of from five to nine directors or trustees, elected annually by the stockholders from among their own number. Citizenship in the State and bona fide ownership of the stock standing in their names on the books of the bank were qualifications for directors, and they were not to receive any pay for their services. In the selection of directors the shareholders were to vote at the ratio of one share one vote, proxies being allowed. The directors had power to choose the officials and to appoint the cashier and the subordinate clerks and helpers.

The deposits which the bank might receive were limited by law to ten times the paid-up capital of the bank—that is, a bank with the minimum capital of \$10,000 was restricted to a maximum of \$100,000 deposits. The capital was to be regarded as a guarantee fund for the better security of the depositors. In view of the fact that the investments of a savings bank are presumably not so liquid as those of a commercial bank, the banks were given the power to require sixty days' written notice of withdrawal of deposits. This requirement might be waived at any time at the discretion of the directors. In practice it has been exercised only on such occasions as the panic of 1907. Banks desiring to stop interest on any deposit might do so by sending notice to the depositor to close his account. An account left ten years without addition or withdrawal was closed automatically, except in case of endowment for children or trust estates

where special provision had been made. Banks might also issue certificates of deposit payable on demand. The interest to be paid was left to the regulation of the directors. Before paying any dividend the directors were required to set aside enough of the earnings to pay interest to the depositors and all expenses of the bank. No surplus was prescribed, nor was there any limit set to the amount of dividend that might be paid.

The investment of the funds of savings banks was limited as follows:

1. Stocks or bonds or interest-bearing notes or certificates of the United States.
2. Stocks or bonds or evidences of debt bearing interest, of this State.
3. Stocks, bonds, or warrants of any city, town, county or school-district of the State. Not over twenty-five per cent of the assets of any bank could be of this class.
4. Real estate mortgages upon unincumbered Iowa land worth at least twice the amount loaned thereon.
5. Commercial paper, notes, bills of exchange, drafts, or other personal or public security. Loans on, or purchase of, its own stock was, however, strictly forbidden.
6. In the case of real estate loans all expenses must be paid by the borrower. In case buildings were included in the valuation, insurance must be provided by the borrower for the protection of the bank.

In its permanent ownership of land the bank was limited to the lot and building in which the business of the bank was carried on. Other real estate could be purchased at sales upon foreclosure of mortgage owned by the bank or upon judgment for debts due. Land so acquired must be sold within ten years after acquisition. The limitation on loans to any one person or firm was fixed at ten per cent of the paid-up capital. In computing the money borrowed, however, it was provided that the discount of bills of ex-

change, drawn against actually existing values, and the discount of commercial or business paper actually owned by the persons or firm negotiating the same, should not be included.

Supervision of savings banks was placed with the Auditor of State, who was authorized to certify to the articles of incorporation, call for statements, make examinations, and report to the General Assembly with recommendations. Quarterly statements of condition were to be made to him also. These were to be made on some past date designated by the Auditor.

The Auditor was empowered to make, or cause to be made, an examination of any banking association conducting business under the act. He was authorized to appoint examiners with power to administer oaths and compel the attendance of witnesses in the same manner as authorized in the State courts. Banks were required to produce necessary books and papers for the examiner, and the expense of examination was to be borne by the bank, the amount being fixed by the Auditor. Heavy penalties were prescribed for making false entries or statements. The duty of the Auditor in cases where he considered the bank unsafe consisted in notifying the bank to discontinue its unsafe practices and conform to the law. In case of refusal he must report to the Attorney General, who would institute proceedings under the law relating to insolvent incorporations.

The use of the word "savings" in the title of any banking association or private bank not under the act was strictly forbidden; and the prohibition included its use in any sign, advertisement, card, circular, or any other similar method of displaying the word.³⁴⁴

The Auditor of State was required to report the condition of savings banks at every regular meeting of the General Assembly. In his report of 1875, where nineteen savings banks are enumerated,³⁴⁵ is to be found the first official

record of banks incorporated under the savings bank law. From that date to the present, reliable statistics of savings banks are available. Although the law of 1874 has been amended from time to time it still retains most of its original features.

VIII

DEVELOPMENT OF BANKING

1875-1921

Amendments to the national banking act which came early in 1875 broadened the scope and increased the power of national banks.³⁴⁶ The *Code of 1873* defined and regulated State banks. By 1875 all of the savings banks had reorganized to conform to the law passed in 1874. The State Auditor reported in 1875 that both classes of State regulated banks were making regular reports of their condition.³⁴⁷ Private banks remained unregulated; but, since the same condition has continued down to the present, data regarding them are only approximate for any period. Certain fairly reliable and continuous statistics beginning about 1875 are available and satisfactory for comparative purposes. Separate data on loan and trust companies are not available until a considerably later period. On the whole, however, the year 1875 may be chosen as marking the beginning of the present system of general banking in Iowa. Changes and amendments have taken place in national and State law, but with the exception of loan and trust companies no new type of general bank has been recognized.

NATIONAL BANKS

The amendment of the national banking law of 1875 brought about what may be termed "free banking" under the national system. The volume of national bank notes under the act of 1864 had been limited to \$300,000,000. This was apportioned to the States, one-half on the basis of population and the other half "with due regard to banking capital, resources, and business." This limit on circulation

being soon reached, the cry was raised that the older sections of the country had a monopoly. The absolute inelasticity made it impossible to organize new banks except as old ones went out of business. The limit was raised in 1870 to \$354,000,000; but still there was dissatisfaction. On January 14, 1875, Congress passed the specie resumption act coupled with which was the "free banking" amendment. It repealed the inelastic maximum limit to the volume of outstanding national bank notes.³⁴⁸

Dissatisfaction which had been aroused with the national banks was not allayed by the passage of the amendment of 1875. The opportunity to organize new banks was taken advantage of in the undeveloped sections of the South and West, but there was still a lack of banking capital. This need was misunderstood to be a need for more currency. It was believed that United States notes rather than national bank notes would best meet the situation. The Greenback movement, with its demand for a substitution of Greenbacks for national bank notes arose. Comptroller Knox in his reports in 1875 and 1876 showed the fallacy of the "double profit" on circulation argument, but his reasoning was not convincing. During the years immediately following the Civil War the profit on circulation may have been considerable, but no better argument is needed to show that by 1875 the charge was without foundation than the decline of about twenty-five millions in the circulation between October, 1875, and the corresponding date in 1876. In Iowa the maximum circulation attained during the first thirty-five years of the national system was reached in 1874. In that year the amount was \$5,220,000; two years later the total was \$3,881,000. Perhaps the liquidation following the panic of 1873 was responsible in part for this sharp decline, for there was also a decrease in the number of banks and total assets in these two years, but this decrease was less pronounced than the falling off in circulation.³⁴⁹

Despite the weakness of its case against the national banks, the Greenback movement grew and the party was strongly supported in the State. Iowa was largely an agricultural Commonwealth, whose farmers were in debt for land purchased and improvements made. Declining commodity prices were unwelcome and any promise of cheaper money was likely to win support. In the Congressional campaign of 1878 two Iowa Greenbackers, James B. Weaver and E. H. Gillette were elected to the House of Representatives. Their support came mainly from the rural townships. In that campaign 1,000,365 votes were cast for the Greenback party in the entire country, and Iowa was credited with first place in number of votes cast for the party. In 1880 James B. Weaver of Iowa was the presidential candidate of the Greenback party. The total vote cast for him was only about one-third of that cast by the party in 1878, Iowa giving him only 32,701 votes.³⁵⁰

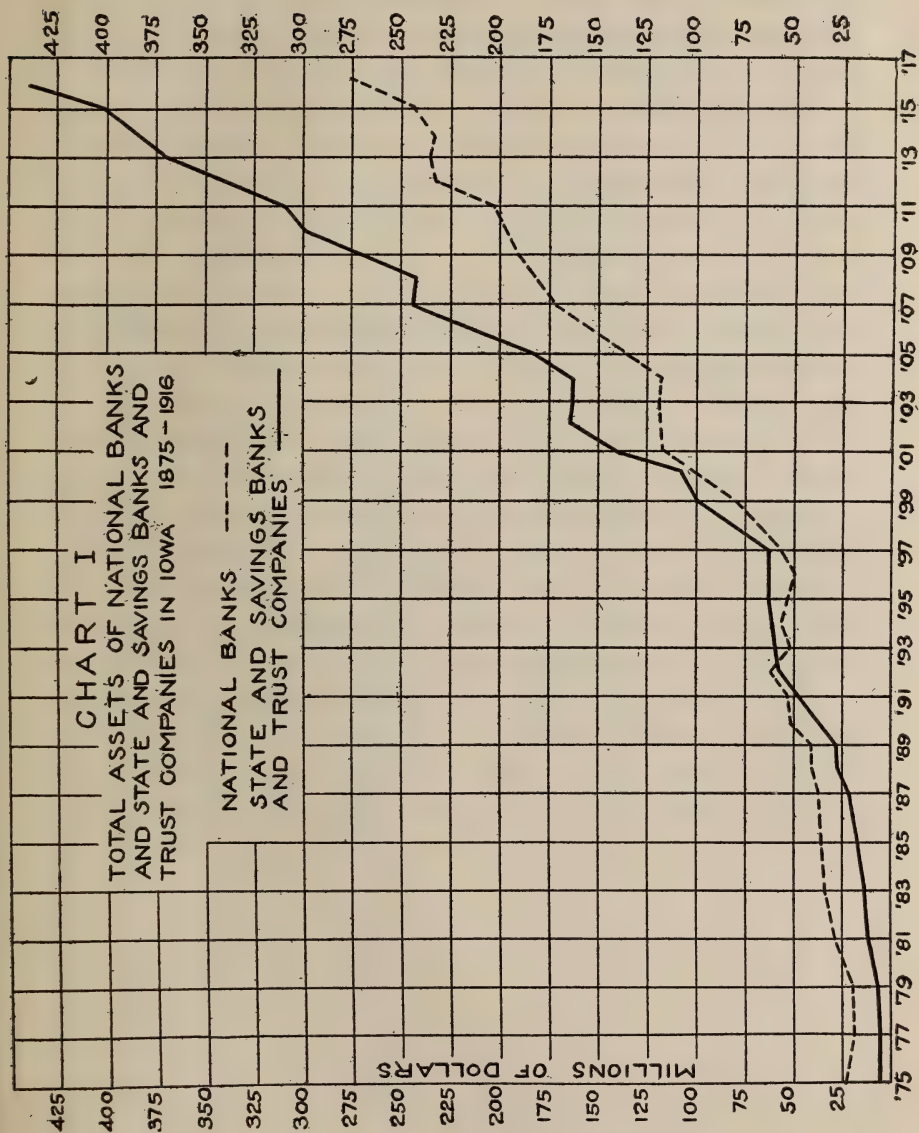
The notes of national banks which had reached a high level in 1882-1883 began thereafter to decline. Surplus revenue coming into the United States Treasury was used for the purchase of bonds at a premium, and bonds with a par value of \$100 sold as high as \$130 in 1888. This greatly reduced the volume of outstanding bank notes. Between 1883 and 1890 the total bank note currency fell from \$361,-882,000 to \$122,928,084 notwithstanding the growth of property and trade activity.³⁵¹ This was only a little more than one-third of the volume in 1883.

Under the act of 1864 a bank was required to deposit bonds equal to one-third of its capital stock. An amendment of 1882 fixed the minimum amount of bonds to be held by national banks at not less than one-fourth of the capital stock but no bank was required to hold bonds in excess of \$50,000.³⁵² Regardless therefore of the profit which might be expected from note issue a national bank was compelled to own a certain amount of bonds. In 1890 it appears that

291 new national banks issued currency only eighteen-hundredths of one per cent in excess of the legal minimum amount of bonds which they were required to deposit according to the terms of the law.³⁵³

In Iowa a similar decline was taking place. The recovery after 1876 had continued until 1882, when the circulation was again close to the \$5,000,000 mark. In 1890 Iowa banks had outstanding only \$2,667,000 of notes—the lowest figure since 1865. The number of banks had increased from seventy-five in 1880 to one hundred and thirty-nine in 1890, and their assets had more than doubled.³⁵⁴ The failure of the national banks in Iowa to increase in number as rapidly as State chartered institutions during the decade of the eighties may be attributed in part to the fact that note issue had become unprofitable.

A reason for choosing national instead of State incorporation was the prestige derived from membership in the national system. Investors and depositors alike looked upon the national bank as a more desirable place in which to put their money. In dealings between citizens of different States the national bank had advantages in competition. As offsets to these points in favor of the national system there were certain advantages arising from incorporation under State laws. The State chartered banks were permitted to make real estate loans; the State law allowed an individual liability of twenty per cent of the capital, while the national banks were limited to ten per cent; the reserve requirements were less stringent; and the capital required was considerably lower, the minimum amount being \$10,000 for savings banks, \$25,000 for State banks, and \$50,000 for national banks. National banks, therefore, were unable to maintain the lead against the State authorized institutions. The number of State and savings banks exceeded the national banks in 1890 and their combined assets surpassed those of the national banks three years later. The growth



of resources in the national banks and a comparison with those of the State chartered banks is shown in Chart I.

In 1900 the national banking law was amended so as to permit the issue of circulation up to the full par value of the bonds deposited, instead of the former limit of ninety per cent, the tax on circulation, secured by two per cent bonds, was reduced to one-half per cent annually; and permission was granted for the establishment of national banks in towns of 3000 or less, with a capital of \$25,000.³⁵⁵ The six years following these changes saw an increase of more than one hundred in the number of national banks, a doubling of circulation, and an increase of about seventy per cent in total assets. Many of the new national banks were the result of the rechartering of existing State institutions under national law; but while the national banks were increasing in number and strength an even greater growth of State chartered institutions was taking place. Chartered banks were also gaining at the expense of the private banks.³⁵⁶ This general growth in banking institutions, indicated in Table III, was an accompaniment of a period of great prosperity and business activity. In Iowa the growth of banking resources, scarcely checked by the panic of 1907, has continued until the present time. The important modifications of the national system which came with the passage of the Federal Reserve Act in 1913 are discussed in Chapter X.

TABLE III

NUMBER, DEPOSITS, CAPITAL STOCK, AND TOTAL ASSETS OF THE
NATIONAL BANKS IN IOWA, 1863-1920³⁵⁷

DATE	NUMBER	DEPOSITS	CAPITAL STOCK	TOTAL ASSETS
1863	3	\$ 245,000	\$ 97,000	\$ 390,000
1864	20	1,698,000	1,145,000	4,004,000
1865	36	5,110,000	3,196,000	11,128,000
1866	45	4,890,000	3,722,000	13,079,000
1867	45	5,234,000	3,842,000	13,523,000
1868	44	6,444,000	3,692,000	14,809,000
1869	43	5,252,000	3,742,000	13,891,000
1870	43	5,248,000	3,802,000	14,306,000
1871	57	7,014,000	4,780,000	18,097,000
1872	70	7,853,000	5,632,000	20,926,000
1873	75	9,380,000	5,812,000	22,902,000
1874	75	9,232,000	6,017,000	23,208,000
1875	81	10,851,000	6,352,000	24,932,000
1876	78	8,004,000	6,287,000	21,198,000
1877	78	7,842,000	6,057,000	20,808,000
1878	76	7,129,000	5,957,000	19,619,000
1879	73	8,752,000	5,707,000	21,125,000
1880	75	11,608,000	5,867,000	24,842,000
1881	76	15,770,000	5,950,000	29,997,000
1882	88	16,169,000	7,135,000	32,305,000
1883	110	16,648,000	9,055,000	35,265,000
1884	123	16,124,000	10,146,000	35,609,000
1885	125	17,054,000	10,155,000	36,845,000
1886	128	17,814,000	10,295,000	37,902,000
1887	128	19,285,000	10,150,000	38,810,000
1888	129	21,278,000	10,148,000	41,841,000
1889	133	21,182,000	10,585,000	42,671,000
1890	139	26,800,000	11,320,000	51,188,000
1891	151	28,354,000	13,460,000	54,881,000
1892	161	32,296,000	14,520,000	62,356,000
1893	169	24,624,000	14,700,000	52,830,000
1894	169	27,490,000	13,855,000	56,325,000
1895	167	24,897,000	13,430,000	52,587,000
1896	166	23,725,000	13,095,000	50,100,000
1897	165	27,502,000	13,020,000	56,224,000
1898	168	32,871,000	13,150,000	64,118,000
1899	172	42,238,000	13,300,000	81,937,000
1900	196	49,041,000	14,035,000	94,829,000
1901	221	61,677,000	15,032,000	115,321,000
1902	230	66,585,000	15,485,000	117,700,000
1903	253	64,336,000	16,582,000	118,279,000
1904	269	61,206,000	17,053,000	117,190,000
1905	281	69,709,000	17,665,000	134,197,000

TABLE III (continued)

NUMBER, DEPOSITS, CAPITAL STOCK, AND TOTAL ASSETS OF THE NATIONAL BANKS IN IOWA, 1863-1920 ³⁵⁷				
DATE	NUMBER	DEPOSITS	CAPITAL STOCK	TOTAL ASSETS
1906	297	\$ 81,780,000	\$ 18,705,000	\$ 156,614,000
1907	304	92,873,000	18,735,000	170,841,000
1908	319	94,473,000	20,330,000	177,062,000
1909	320	102,900,000	20,585,000	188,393,000
1910	326	107,462,000	20,991,000	194,261,000
1911	329	110,389,000	21,520,000	202,020,000
1912	338	125,011,000	22,280,000	230,919,000
1913	340	131,404,000	23,085,000	234,583,000
1914	343	134,539,000	23,460,000	232,614,000
1915	348	142,338,000	23,855,000	243,045,000
1916	353	160,728,000	24,289,000	270,732,000
1917	351	196,530,000	24,400,000	333,114,000
1918	353	206,829,000	24,560,000	367,174,000
1919	355	258,277,000	25,115,000	422,381,000
1920	358	264,132,000	26,420,000	459,043,000

STATE BANKS

Provisions of the *Code of 1873* constitute the basis for the regulation of State banks in Iowa. The law did not give the Auditor adequate control over the State banks, and therefore certain amendments were soon adopted.³⁵⁸ The first amendment which affected State banks came in 1880 and applied to all banks and banking institutions alike. It was made a felony, punishable by fine or imprisonment or both, for banks to receive deposits when insolvent. In the same year a law was passed amending the *Code of 1873* so as to impose double liability on the stockholders of banking corporations. Both of these laws were intended for the protection of depositors.³⁵⁹

In 1886 an act was passed which defined State banks and required the use of the word "State" in the name of a bank incorporated under the general incorporation laws. Unincorporated banks and savings banks were not allowed to use the word "State" as part of their title. An exception was

made in the case of national banks by allowing them to be so designated. Incorporated banking associations, except savings banks, already in existence, were required to amend their articles of incorporation to comply with this law.³⁶⁰

Two acts were passed in 1894 to provide for the better security of depositors in State banks. The first of these included the savings banks and prescribed that in case the capital stock of any bank became impaired it was the duty of the board of directors to levy an assessment to meet the deficiency. Failure to pay the assessment upon notice duly given must be followed by sale of the stock at public auction. Neglect by the directors to proceed under the act when requested in writing by the owners of two-thirds of the stock of the bank rendered them personally liable to the creditors or stockholders. The second act of the same date was limited to State banks and covered points already contained in the savings bank law. Under its terms bank directors were prohibited from receiving any compensation; and all loans to directors, officers, or agents of the bank were to be upon the same security as that required of other borrowers and under the same rules. All such loans must be made by the directors, the party concerned being absent from the meeting. False entries or false statements knowingly made by an officer or agent of a bank were made felonies, punishable by fine or imprisonment. The board of directors was required to appoint, from its own members, an examining committee whose duty it was to examine the bank quarterly and report to the board. The maximum amount the bank was permitted to loan to any individual or firm was limited to twenty per cent of the paid-up capital stock.³⁶¹

The *Code of 1897* brought together the bank laws of the State and also added certain important provisions. The requirement that banks should file articles of incorporation with the county recorder and the Secretary of State was renewed. The provision regarding minimum capital stock

of \$25,000 for towns of 3000 or less and \$50,000 for larger places was continued. Shares were to be fully paid up and carry a double liability. Management was placed in the hands of not less than five directors, who in order to qualify had to own from two to five shares of stock according to the capitalization of the bank. Banks in towns under 3000 population were required to keep a cash reserve of ten per cent of the total deposits; other banks were required to have a fifteen per cent reserve. In either case three-fourths of the required reserve might be kept on deposit, subject to call, with other banks under State or national laws. A piece of new legislation found in the Code is the requirement that all State chartered banks must keep in the bank subject to inspection during business hours a complete list of officers, directors, and stockholders, and the number of shares held by each.³⁶²

The maximum limit on a loan to any individual of twenty per cent of the capital stock of the bank was raised in 1902 to fifty per cent when the loan was secured by real estate. The requirement that the real estate offered as security be worth twice the amount loaned was not changed.³⁶³ In 1907 the sections of the Code relating to loans to officers were repealed and reënacted on the same principles. Such loans can only be made by a vote of the board of directors in the absence of the applicant and on the same terms as are required of other borrowers.³⁶⁴

In 1913 the General Assembly authorized State and savings banks to deposit with the Treasurer of the United States such securities as might be required in order to secure the postal savings funds deposited therein. Additional trust powers were also conferred in 1913 and 1915. In 1915 State banks were permitted to become members of the Federal reserve system.³⁶⁵ In 1917 the reserve requirement was modified by increasing the proportion of reserve which might be kept in the vaults of other banks from

seventy-five per cent to eighty-five per cent of the total amount required by law.³⁶⁶ Two years later the reserve requirement was raised and made to conform with the savings bank law. This fixed the reserves in all State banks located in towns of less than 3000 population at fifteen per cent of the sight and demand deposits and eight per cent of the savings deposits and time certificates of indebtedness. For towns above 3000 population the proportions were twenty and eight per cent respectively. In both classes the banks were permitted to keep eighty-five per cent in other banks under State or national laws.³⁶⁷ A further amendment allowed the State banks which are members of the Federal reserve system to conform to the reserve requirements of the national bank members.³⁶⁸ This meant that the legal reserve might be reduced to ten per cent for banks in reserve cities and seven per cent for country banks. All of the required reserve would be held in the Federal reserve bank of the district.

State banks, as distinguished from savings banks under State charters, numbered twenty-three in 1875, increased nine in the next biennium, then remained at about the same figure for four years. Since that time they have grown steadily in number. In the late nineties they outnumbered the national banks, ranking second in number to the private banks. After 1900 there was an unusual expansion in the number of savings banks, which placed that class far in the lead so far as numbers is concerned. State and national banks have about kept pace since that time. The high minimum capital requirement for national banks had been a bar against national incorporation. Of the two hundred and seven State banks doing business in Iowa in 1899 only eighty-seven had a capital of \$50,000 or over—the minimum then permitted for national banks. The following year the capital requirement was lowered to \$25,000 for national banks in towns of less than 3000. By 1909 the records

show that three hundred and twenty national banks were operating in Iowa; of these, one hundred and fifteen had a capital of less than \$50,000.³⁶⁹ Capital requirements have been practically the same for national and State banks since 1900. The loan and reserve requirements were more favorable to State banks until recently. On the other hand, the national banks have had the circulation privilege which after the amendments of 1900 again became a source of profit. The numbers of State and national banks have remained fairly near equal for twenty-five years or more. The reasons for the greater growth of savings banks will be discussed in the following sections.

SAVINGS BANKS

Two main types of savings banks are found in the United States. The mutual savings bank was copied from English institutions and is found almost exclusively in the older sections of the country, particularly in New England. It has no capital or stockholders, but is operated for the benefit of the depositors by a board of trustees who often serve without pay. All the profits above the expenses of carrying on the business are divided among the depositors. The function of this type of bank is primarily to invest the savings of the man of small income who is inexperienced in making investments or whose savings are too small for profitable investment. A second type of savings bank is the stock savings bank. In this class a fixed rate of interest is paid to depositors and the profits remaining are divided among the stockholders. These may differ in no essential function from the mutual savings bank or they may be primarily commercial banks and only nominally savings institutions. Savings banks in Iowa are all of the latter type.³⁷⁰ Stock savings banks are so much more numerous in Iowa than elsewhere in the United States that their history in this State possesses unusual interest for the student of

banking. Of 1185 stock savings banks in the United States reporting in 1917 to the Comptroller of the Currency, 892 were in Iowa.³⁷¹

This unusual number of institutions under the savings title must largely be accounted for by the provisions of Iowa law. They are, for the most part, banks of discount, differing to no considerable extent from the State and national banks. It will be recalled that the act of 1874 in defining the legal investments for savings banks included the right "to discount, to purchase, sell, and make loans upon commercial paper, notes, bills of exchange, drafts, or any other personal or public security".³⁷² This left the Iowa savings banks practically free to do a strictly commercial business.

Various reasons explain why Iowa bankers, although intending to engage primarily in commercial banking, have chosen to incorporate under the savings bank law. The fact that the savings bank law was more explicitly and completely formulated at an early date no doubt led some banks to choose incorporation thereunder rather than under the more general incorporation laws governing the State banks. The most important reason, however, for the large number of savings banks has been the lower capital requirement. Under the terms of the savings bank law of 1874 these institutions were permitted to organize in towns of less than 10,000 population with a capital of \$10,000. The minimum capital permitted to State banks was \$25,000 for towns of 3000 or less and \$50,000 for cities having a greater population; the same was true for national banks after 1900. Out of sixty-eight savings banks organized in the two years ending July 1, 1901, fifty-four had insufficient capital to incorporate either as State or national banks.³⁷³ In 1909 three hundred and forty-nine out of five hundred and seventy-two, or more than sixty-one per cent of the savings banks in Iowa had a capital of less than \$25,000.³⁷⁴ Moreover, State and national banks are required by law to have

a minimum capital of \$50,000 in towns of 3000 or more population, and in the case of the national banks this minimum is graduated up to \$200,000 in cities over 50,000. Although before 1917 savings banks could be incorporated in any town of less than 10,000 population with a capital of \$10,000, some banks having capital stock of \$25,000 or over, in 1909, would, nevertheless, have been unable to meet the capital requirements for national or State banks in these towns. In addition there were some savings banks, capitalized at \$25,000 or more, which had been organized with a capital stock less than \$25,000 and gradually enlarged. We must, therefore, include a considerable number of other banks with the three hundred and forty-nine shown to be below the \$25,000 minimum in order to determine the number of banks which were incorporated as savings banks solely on account of the capital requirement. Although it is not possible to get exact statistics on this point, this reason seems to be the fundamental explanation for about two-thirds of Iowa's savings banks.

The savings bank law of 1874 has undergone certain modifications in detail during the forty-five intervening years. In recent years the provisions relating to the investment of funds have been widened. Drainage bonds were included among the lawful investments in 1906; and in 1913 an amendment was passed permitting investment in notes or bonds secured by real estate outside of Iowa if the real estate was situated in any county adjoining the Iowa State line. This was further extended in 1917 to any adjoining State, except that no loan may be made on real estate west of the hundredth meridian line.

It was specified in the savings bank law that a savings bank may own the lot and building in which its business is carried on. Under the power thus granted them, savings banks have sometimes built large office buildings, upon the ground floor of which is located the bank's own business

room.³⁷⁵ In the *Code of 1897* savings banks doing a commercial business were required to keep cash reserves as follows: in towns under 3000 population they were to keep a reserve of fifteen per cent of the commercial deposits and eight per cent of the savings deposits; banks located in towns of over 3000 population were to keep twenty per cent and eight per cent respectively; and if any bank was doing an exclusively saving business it was to keep eight per cent of its deposits in reserve. Three-fourths of the reserve of all classes might be kept in other State or national banks.³⁷⁶ In 1915 the law was revised by changing the word "commercial" to "sight and demand" and adding after "savings deposits" the words "and time certificates having a fixed and definite time of maturity". The effect of this was to reduce the reserve against time certificates from fifteen per cent to eight per cent, this class of deposits having formerly been treated as commercial accounts.³⁷⁷ An amendment in 1917 raised the percentage of reserves which a bank might keep in other banks from seventy-five per cent to eighty-five per cent.³⁷⁸ This reduced the legal cash-in-bank reserve to an almost nominal amount—about two per cent when computed on all deposits of a small town bank. The reserve requirement was further modified in 1919 by permitting any savings bank which became a member of the Federal reserve system to keep the same reserve as national bank members.³⁷⁹

By an amendment passed in 1900 savings banks were allowed to add their surplus to the capital stock when computing the percentage of deposits, the aggregate deposits being limited to ten times the combined capital and surplus of the bank. This limit was raised two years later to twenty times the capital and surplus. The restriction on withdrawal of deposits which had been imposed, requiring sixty days' notice for withdrawal, was changed in 1900 to apply only to time deposits. In 1913 the legislature authorized

State and savings banks to deposit with the Treasurer of the United States such securities as may be required to secure the postal savings funds deposited therein.³⁸⁰

In the case of savings banks, as of State banks, legislation was passed in 1894 for the protection of depositors which required any impairment of the capital stock to be made good by assessment on the stockholders. The penalty for failure to pay is forfeiture of the stock, or of so much as is necessary to meet the assessment. Neglect on the part of the directors to proceed to an assessment, when requested by the owners of two-thirds of the stock, with the consent of the State Auditor, makes the directors individually liable. As a further means of strengthening the banks a surplus fund was authorized in 1900. Directors were permitted to set aside a surplus fund from the earnings which was to be maintained separate from the undivided profits account. This fund could be invested in the same manner as the capital, and might be made use of as a stock dividend for increasing the capital of the bank. It was not ordinarily to be drawn on for expenses, but if needed for this purpose could be transferred back in whole or in part to the undivided profits account. This could be done, however, only if the capital, or capital and remaining portion of the surplus equalled ten times (later twenty times) the deposits. In 1917 banks were given authority to reduce the capital stock on the affirmative vote of two-thirds of the shareholders, with the approval of the Superintendent of Banking.³⁸¹ Furthermore, at the 1917 session of the legislature a law was passed³⁸² which modified the capital requirement of savings banks. The minimum, which prior to 1917 had been \$10,000 in cities under 10,000 population and \$50,000 in places with a larger population was graduated in steps as follows:

In towns of 1000 population or less \$10,000 capital
In towns of 1000 but less than 2000 15,000 capital

In towns of 2000 but less than 10,000.....\$25,000 capital

In towns of over 10,000..... 50,000 capital

The limit on the amount which could be loaned to one individual was raised in 1902 from twenty per cent to fifty per cent of the bank's capital in case the loan was secured by real estate. This was further raised in 1915 to allow fifty per cent of the surplus also to be loaned to one person on real estate security.³⁸³

Amendments have been made from time to time in the provisions for the management of savings banks. Originally the number of directors had been from five to nine, a majority of whom constituted a quorum. In 1888 the additional restriction on a quorum of the directors provided that in no case could a measure be passed unless it received three affirmative votes. Instead of requiring all the directors to be citizens of Iowa, the *Code of 1897* reduced the requirement to three-fourths of the board. The number of shares of stock required by a shareholder to qualify as a director was graduated according to the capital. An amendment passed in 1913 permitted the stockholders of banks to allow directors a reasonable compensation for attending board meetings. Four years later the legislature amended the section of the law which had limited the maximum number of directors to nine, leaving this thereafter to the discretion of the stockholders. In 1921 the law pertaining to State banks was also amended in this particular, so that the laws for both classes of banks are similar on this point. No State or savings bank may now have less than five directors nor more than the number designated by its articles of incorporation. But within these limits the stockholders are free to change the number by resolution at any annual meeting.³⁸⁴

Savings banks are the oldest incorporated banks of record in Iowa. Until the late nineties, however, they were the least numerous of the various classes of Iowa banks. At

the beginning of the present century, the rapid growth of this type of bank began and they were soon numerically in the lead of any of the other classes. While most of the savings banks are such only in name, being in fact small commercial banks, there are some large banks devoted especially to a savings bank business which are incorporated as savings banks. The German Savings Bank of Davenport (now the American Commercial and Savings Bank), with total resources of \$13,215,161 in 1916, was at that time the largest bank in Iowa.³⁸⁵

LOAN AND TRUST COMPANIES

The first legislation concerning loan and trust companies is found in the *Code of 1897*. In the final section of the law dealing with banks in general is a clause which prohibits any corporation from engaging in the banking business unless it conforms to the banking laws. An exception to this is made in favor of loan and trust companies which "may receive time deposits and issue drafts on their depositories". These companies are then made subject to the same regulation and control by the State Auditor as in the case of the State and savings banks. Double liability for stockholders of these institutions is also prescribed. The law itself gives evidence that loan and trust companies had been in existence for several years. The statement is made that loan and trust companies that had been in continuous existence since before January 1, 1886, need not incorporate the word "State" in their title in order to become State banks within the provisions of the section.³⁸⁶ Statistics of the number and strength of the loan and trust companies are not easily obtained since they are grouped with State banks and not separately reported by the Auditor. In 1909 the National Monetary Commission reported fourteen loan and trust companies in Iowa; and in 1916 there were twenty-one.³⁸⁷

In 1900 the law specifying the limitations on deposits for State banks was made applicable to loan and trust companies. Four years later the capital stock requirements of the savings banks were also applied to trust companies.³⁸⁸ The first comprehensive legislation concerning trust companies was enacted in 1913, the act of that year greatly extending the powers of trust companies and conferring upon State and savings banks the same fiduciary powers.

Trust companies and State and savings banks were given power: first, to be appointed assignee, guardian, executor, trustee, or receiver, in the same manner as might a natural person, except that the appointment as guardian should apply to estates and not to persons; second, to act as fiscal or transfer agents or registrars for estates, municipalities, companies, and corporations; third, to act in execution of trusts that may be handled by any person or corporation; fourth, to issue drafts upon depositories and to purchase, invest in, and sell promissory notes, bills of exchange, bonds, mortgages, and other securities; and fifth, to carry on a safe deposit business.

The third section of the act emphatically states that the trust funds must be kept separate from other funds or property of the bank, the purpose of this being plainly to protect the trust funds from the risks incident to banking. In case the trust company or bank should fail the trust fund would still be safe and unaffected. Another requirement in the interest of safety for the trust funds is that all such trusts must be reported to the Auditor of the State. These lists are to be filed by the Auditor but their publication is not provided for.

Banks acting in a fiduciary capacity were given the same powers and rights as individuals exercising similar offices. They must give bond in the same manner and receive the same compensation. In case of the dissolution of the corporation the court having jurisdiction is empowered to appoint

a successor and release the original trustee. Any such corporation must also have the word "trust", or "State", or "savings" as part of its name. Moreover, no person or corporation not complying with the act may use the word "trust" in its name. The limit to which a bank or trust company might become indebted, except to depositors, or for regular expenses, had been the capital stock. This limitation was continued, but the act stated that it did not apply to the issue of bonds or debentures by a trust company when protected by real estate securities. The act also defined the profits from which dividends might be declared. All trust companies or banks exercising the powers given by the law were required to set aside one-tenth of the net earnings as a surplus fund until this surplus equalled at least twenty per cent of the net capital. This surplus must be kept unimpaired or restored in the same manner as originally accumulated.

The distinctions which had separated the functions of trust companies from those of State and savings banks were largely broken down by this law. All general laws which applied alike to State and savings banks concerning statements, reports, examinations, and the like, were made to apply to trust companies. The provisions of the savings bank law as to formation, renewal of charter, capital, management, deposits, value of shares, and reserve were applied to trust companies. But the sections of the savings bank law as to investment of funds, limitation on the right to purchase real estate, and the payment of interest and dividends were not applied to the trust companies.³⁸⁹

In 1915 practically all distinctions between the various classes of banks, so far as their trust powers were concerned, were eliminated. An amendment was passed which permitted national banks, when authorized by the United States laws, to exercise the trust powers previously conferred on trust companies, State and savings banks.³⁹⁰

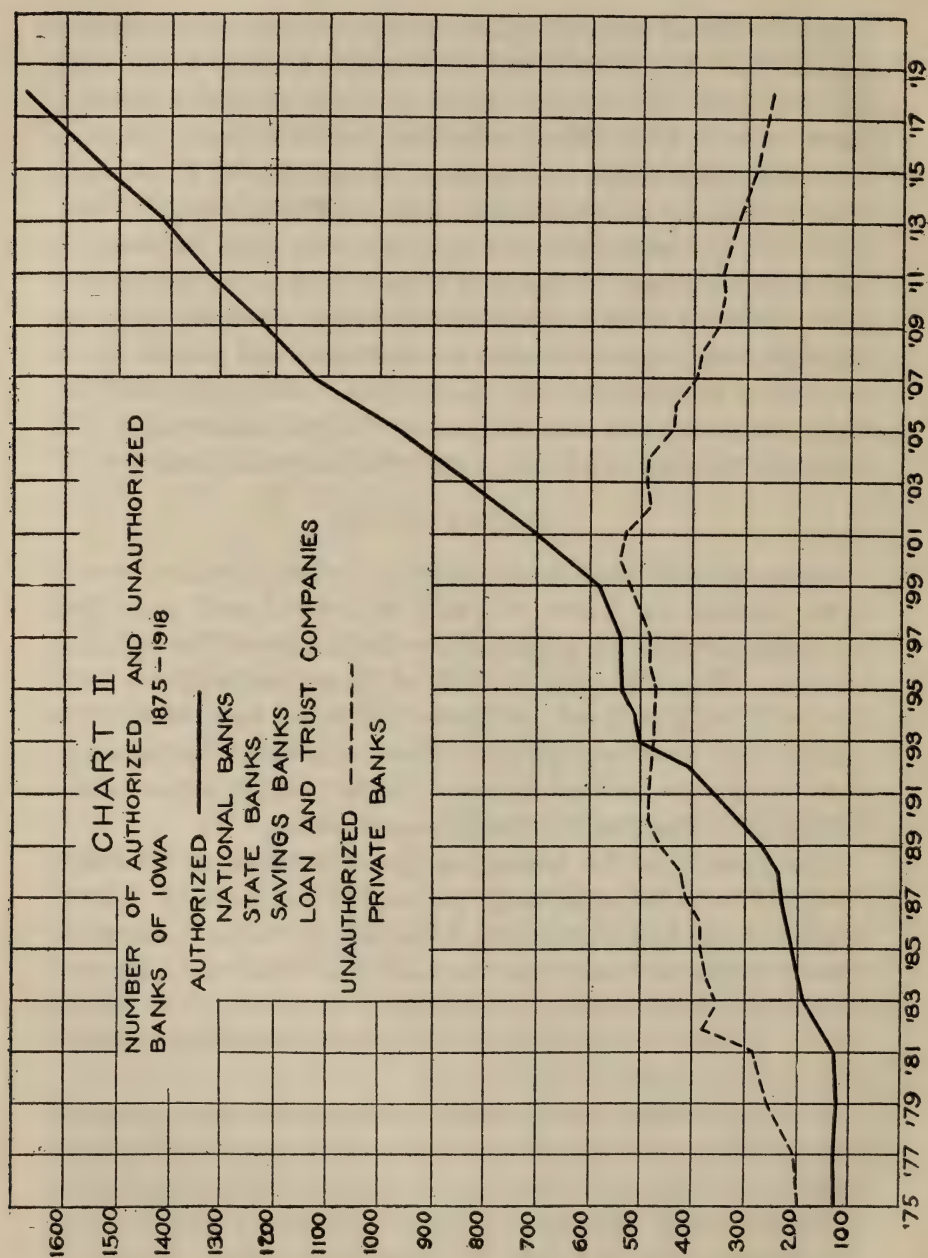
Powers of trust companies having already been expanded in the direction of general banking, and the regular banks having now been granted practically all trust company powers, there was in fact little distinction between them. A considerable percentage of the trust companies of Iowa have been organized in connection with national banks. They have had the same officers and conducted their business in the same building. Although it is no longer so advantageous for a national bank to form an associate trust company or savings bank, those already in existence will doubtless be continued as they are free to carry on business under the trust company law which is more liberal concerning real estate ownership and loans than is the national bank law.

PRIVATE BANKING

It has already been shown that the private banks arose in Iowa during the years of early statehood and that they continued during the period of the dominance of the national system. The continued growth of these banks in competition with both national and State chartered institutions, the efforts that have been made to force them under State supervision, and the decline in their number which began about 1900 will be discussed in the present section.

The growth in the number of private banks is shown in Table IV and is graphically portrayed in Chart II. These statistics are fairly accurate, although there is no complete record of the capital, deposits, or total resources. In general, these banks are the smaller ones in the State, as shown by the Auditor's report of the incorporation of banks which succeeded private banks.³⁹¹

Soon after the passage of the savings bank law, agitation was begun to bring the private banks also under State supervision. In his biennial report for 1877 the Auditor of State, Buren R. Sherman, set forth in a very forceful way the reasons why the private banks should be required to



make regular reports. He called attention to the number of failures which had occurred during the past two years as evidence of the need of protecting the general interests of the people. The keynote of his argument is struck in the sentence: "Banking is a public and peculiar business." The man who is entrusted with the care of the people's money, he believed, should be subjected to publicity in his business. He also advocated a minimum capital requirement as a protection to the depositors. No action was taken by the legislature on this recommendation, although Governor J. G. Newbold in his biennial message to the legislature had supported the recommendation of the Auditor. Two years later Mr. Sherman renewed his request;³⁹² but aside from prohibitions upon the use of the words "State" or "savings" in the titles adopted by such banks, no legislation was enacted.

The movement to enact legislation for the control of private banks was further endorsed in the report of Auditor W. V. Lucas and in the message of Governor J. H. Gear to the next legislature.³⁹³ In 1885 Auditor J. W. Cattell advised the enactment of a law similar to one which had recently been enacted in New York forbidding the use of the word "bank" by any institution not under State law.³⁹⁴ It was not until 1905 that the matter was once more urgently pressed by the Auditor. He pointed out that there had been twenty-five failures of private banks in the biennium from June 30, 1903, to June 30, 1905, as against eight among the State supervised banks, although the latter were more numerous.³⁹⁵

The war against unregulated private banking has also been carried on by the Iowa Bankers Association. At its fourth annual convention in 1890 the "Finn Bill" to regulate private banks and bring them under the same State supervision as incorporated banks was warmly debated. Certain members were in favor of having the convention

endorse the measure; but the private bankers contended that the bill was backed by a desire to tax the private banker more heavily. They insisted that most private banks were as sound as any other type. The advantage of the personal relation and of unlimited individual liability was cited. They pointed out that because of freedom from restrictions they could make more money as private bankers. The private bankers were strong enough to carry their point and no action followed the discussion.³⁹⁶

A year later the question was again a leading subject for discussion. In a paper on "The Feasibility of State Control and Examination of Private Banks", H. D. Copeland, State Bank Examiner from Chariton, held that State examination was not feasible. He claimed that this would involve going over a man's entire assets, since the amount for which he was liable was unlimited. Moreover, he charged that the failure on the part of banks to incorporate was due to the defects of the State bank laws, although he felt that incorporated banks were gaining in public confidence by examination and publicity. At the same meeting a resolution stating that the Association believed it expedient for the State to exercise such supervision over the private banks of the State as would properly protect the interests of depositors and customers was laid on the table after prolonged discussion.³⁹⁷

In 1912 the question was broached again by E. J. Curtin in his address as President of the Association. He took the ground that all organizations bearing the name bank should be regulated by State or national laws. An objection had been raised by some members that the Iowa Bankers Association had taken the private bankers into the Association and was now using their money to fight them. Mr. Curtin took the stand that the proposed action was in the interest of the private banker. If a committee of bankers friendly to banks did not draw up a fair bill, he was convinced that

unfriendly outside interests would take action. He met the general opposition to State regulation with sound arguments. He said in part:

Public opinion, however, is gradually settling to the fact, that banking is not a private business. That the use of the name bank, has through the course of time come to mean something, and that if the assets of a bank are good, inspection and investigation will not hurt them; whereas, if they are not good, they most certainly need both, very badly. Many private banks are as good as the incorporated ones, and as well conducted, but it is a well established fact, that when a private bank does close it does not do so, until about all that is left, of any value, is the walls.³⁹⁸

Bills have frequently been introduced in the legislature for the purpose of requiring private banks to incorporate or submit to State supervision.³⁹⁹ In this respect other States have been in advance of Iowa, although the regulations have been of comparatively recent origin. In 1882 New York prohibited unincorporated firms, doing a banking business, from using a corporate title. This regulation has since been adopted by other States. Various forms of restriction on the use of the word "bank" have been adopted by several of the States. By January, 1919, sixteen States had required private banks to submit to the same regulation and supervision as State banks. Several States require bonds of all private bankers who accept deposits. In 1910 the laws of California, Colorado, South Dakota, Idaho, Indiana, Kansas, Mississippi, Missouri, New Jersey, Oregon, and Utah required that private bankers have a specified minimum capital. There are difficulties in the way of enforcing such a regulation since the private banker is frequently engaged in other business enterprises and finds it difficult to separate his banking from his other interests. But some States go so far in this respect as to make the private bank essentially a corporation. At least a third of the States have followed the example set by North Dakota in 1890 of

forbidding private individuals to engage in the banking business.⁴⁰⁰

Restrictive legislation on private banks in Iowa was enacted by the General Assembly in 1919, making it a misdemeanor punishable by heavy fines or imprisonment or both for a new private bank to use as part of its name the word " 'Bank', 'Banking', 'Banker', or any derivative, plural or compound of the word 'Banking', or word or words in a foreign language having the same or similar meaning". The restriction is against the use of these words in any sign, letterheads, bank paper, or other manner which would indicate to the general public that the institution is a bank. The law does not, however, apply to private banks already in existence when the act was passed. Although this enactment is a step in the right direction, it does not yet meet the requirements that should govern the operation of newly organized private banks, nor does it sufficiently provide regulation for those already in existence.⁴⁰¹

STATISTICS OF IOWA BANKING

Comparative statistics of banking show that Iowa leads all the States of the Union in number of banks. When the National Monetary Commission secured a special report from all banks on April 28, 1909, Iowa had a total of 1365 banks of all classes. Illinois was second with 1263 banks.⁴⁰² The Comptroller regularly secures reports from such banks as will file statements with him. Since this is voluntary on the part of some of the banks, the data are not complete. Incomplete data given in the Comptroller's reports indicate that Iowa still retains first place.⁴⁰³ The lists of banks compiled by the secretary of the Iowa Bankers Association, the *Bankers Directory*, and the Federal Reserve Board are the most complete and up-to-date statistics available. The latest figure published by the Iowa Bankers Association, under date of June 1, 1920, placed the total number of banks at

1919;⁴⁰⁴ the *Bankers Directory* published by Rand McNally and Company listed 1941 Iowa banks in January, 1921; the Federal Reserve Board included 1930 Iowa banks on the exchange list on June 1, 1920. This was forty-seven more than were listed in Illinois, the State ranking second in numbers.⁴⁰⁵

In total banking resources Iowa ranked tenth in the list of States,⁴⁰⁶ falling just under a billion dollars in June, 1918.

The growth in number of banks of the various classes in Iowa can best be seen by reference to Table IV and Chart III. In 1875 there were only 123 authorized banks in Iowa; in 1918 there were 1665. Private banks, after an increase of approximately two hundred and fifty per cent, reached a maximum of 534 in 1900 and have declined to about the number in existence in 1875. Practically half of the Iowa banks are incorporated under the savings bank law. National and State banks in Iowa are almost identical in number.

Data regarding the resources of private banks are so incomplete that no historical figures on their total resources are possible. Tables III and V show the banking capital, deposits, and total assets of the authorized State banks and national banks separately. The total resources of each class are also shown graphically in Chart I. The remarkable growth of banking resources in the past twenty years is especially noticeable. It might also be noted that during this time many private banks have been converted into national, State, or savings banks so that the aggregate increase in banking resources is somewhat less than is indicated by these statistics of authorized banks.

As may be noted from Tables III and V the growth of banking resources was greatly accelerated by the World War and continued for some months thereafter. Data are available for the State and savings banks showing at frequent intervals the rapidly changing condition of the banks

CHART III
NUMBER OF BANKS OF THE VARIOUS
CLASSES IN IOWA 1877-1917

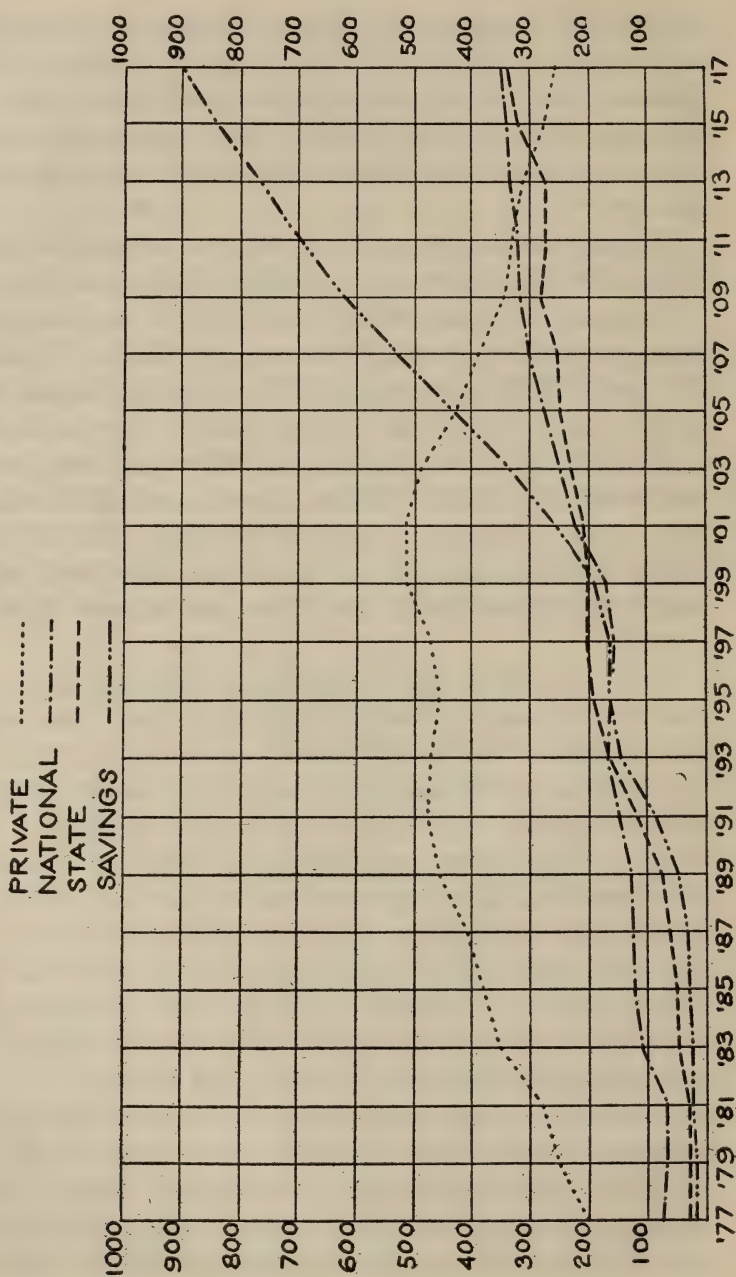


TABLE IV

NUMBER OF BANKS IN IOWA, 1875-1920⁴⁰⁷

NUMBER OF BANKS IN IOWA, 1875-1920 ⁴⁰⁷								
YEAR	TOTAL NUMBER OF BANKS	AUTHORIZED BANKS						PRI- VATE BANKS
		TOTAL NUMBER	NATION- AL BANKS	STATE SUPERVISED				
				TOTAL NUMBER	STATE BANKS	SAV- INGS BANKS	LOAN AND TRUST Cos.	
1875	322	123	81	42	23	19		199
1876			78					
1877	329	128	78	50	31	19		201
1878			76		32			232
1879	378	126	73	53	33	20		252
1880			75		32			264
1881	418	129	76	53	31	22		289
1882			88		40			380
1883	539	186	110	76	48	28		353
1884			123		49			373
1885	592	209	125	84	50	34		383
1886			158		59			388
1887	641	230	128	102	65	37		411
1888	678	245	129	116	74	42		423
1889	719	263	133	130	80	50		456
1890	788	303	139	164	105	59		485
1891	838	356	151	205	122	83		482
1892	884	406	161	245	141	104		478
1893	968	494	169	325	177	148		474
1894	979	519	169	350	188	162		460
1895	995	531	167	364	194	170		464
1896	1013	536	166	370	201			477
1897	1014	537	165	372	206	166		477
1898	1041	551	168	383	209			490
1899	1093	574	172	402	207	195		519
1900	1178	644	196	448	214			534
1901	1216	695	221	474	218	256		521
1902	1241	761	230	531	230			480
1903	1320	827	253	574	238	336		493
1904	1372	888	269	619	244			484
1905	1396	958	281	677	248	429		438
1906	1480	1042	297	745	251	494		438
1907	1515	1116	304	812	259			399
1908	1546	1164	319	845	261	571	13	382
1909	1564	1218	320	898	282			356
1910	1622	1277	326	951	272	663	15	345
1911	1659	1313	329	984				346
1912	1685	1354	338	1016	281	721	14	331
1913	1728	1408	340	1068				320
1914	1755	1457	343	1114	304	791	19	298
1915	1801	1519	348	1171				282
1916	1843	1570	353	1217	331	865	21	273
1917	1880	1618	351	1267	343	899	25	262
1918	1917	1662	353	1309	363	923	25	255
1919	1916	1675	355	1320	371	926	23	241
1920	1923	1704	358	1346	389	934	23	219

during the period of unusual prosperity and the first effects of the crisis of 1920 upon bank resources. Abstracts of the reports of the State and savings banks show that the high water mark for total assets was reached in the early months of 1920. On April 2, 1920, the State supervised banks reported total assets of \$839,413,141—an increase of \$120,091,046 over the figure shown at the corresponding call in 1919. The four reports made during the remaining months of 1920 show that liquidation was under way. At the November call the total assets were higher than in September, but this may be explained as a normal seasonal condition. All the reports show a gain in resources over the corresponding date in the previous year, but the difference of \$120,000,000 of April, 1920, over March, 1919, had dwindled by December 31, 1920, to a difference of \$7,855,718 as compared to December 31, 1919. In 1921 liquidation continued and the first report (March 22, 1921) showed a decline of about \$75,000,000 in total resources from the high tide of 1920.

Similar detailed data are not available for the national banks. The figures in Table III are for about October first of each year. From this it may be seen that the total resources had nearly doubled in five years. The figure for 1920 is considerably higher than that for 1919. This is in line with the situation reported for State incorporated banks. On the whole the assumption may be made that the fluctuations in State banks are representative of the general banking situation during this period.

The chief decline in banking assets during the year are found to be in the loan and reserve items. Loans and discounts were reduced over \$30,000,000 and cash in vault and other reserve items by over \$37,000,000. In normal times the loans and discounts increase or decrease in close relation to the deposits, but during a commercial crisis the deposits are drawn down more rapidly than the loans can be liqui-

TABLE V

NUMBER, DEPOSITS, CAPITAL STOCK, AND TOTAL ASSETS OF STATE
AND SAVINGS BANKS AND TRUST COMPANIES IN IOWA, 1875-1921⁴⁰⁸

DATE	NUMBER	DEPOSITS	CAPITAL STOCK	TOTAL ASSETS
1875	42	\$ 3,959,000	\$ 2,063,000	\$ 6,486,000
1877	50	3,985,000	2,416,000	7,091,000
1879	53	4,900,000	2,321,000	7,829,000
1881	53	9,667,000	2,456,000	12,735,000
1883	76	11,200,000	3,701,000	15,846,000
1885	84	11,639,000	4,541,000	17,480,000
1887	102	15,716,000	5,708,000	22,942,000
1888	106	18,435,000	6,666,000	27,212,000
1889	130	20,396,000	7,673,000	30,355,000
1890	164	25,773,000	8,824,000	37,489,000
1891	205	33,781,000	11,026,000	48,254,000
1892	245	42,476,000	12,734,000	59,011,000
1893	325	42,151,000	14,484,000	60,854,000
1894	350	41,987,000	15,671,000	61,271,000
1895	364	43,827,000	16,161,000	64,045,000
1896	370	43,955,000	16,411,000	64,626,000
1897	372	45,442,000	16,287,000	65,799,000
1898	383	59,336,000	16,447,000	79,697,000
1899	402	77,405,000	16,874,000	98,704,000
1900	448	91,147,000	16,054,000	114,392,000
1901	474	114,731,000	18,845,000	139,554,000
1902	531	133,692,000	20,205,000	160,711,000
1903	574	132,443,000	21,315,000	161,462,000
1904	619	131,471,000	22,329,000	161,676,000
1905	677	146,493,000	24,096,000	179,679,000
1906	745	169,609,000	25,699,000	205,145,000
1907	812	201,953,000	28,010,000	241,512,000
1908	845	197,927,000	28,604,000	239,340,000
1909	898	225,155,000	30,578,000	269,730,000
1910	951	246,921,000	32,478,000	296,673,000
1911	984	249,829,000	33,901,000	306,680,000
1912	1016	278,761,000	35,982,000	336,742,000
1913	1068	304,794,000	37,895,000	368,819,000
1914	1114	314,129,000	39,918,000	383,784,000
1915	1171	325,812,000	41,834,000	398,503,000
1916	1217	359,282,000	43,866,000	436,461,000
1917	1254	447,054,000	45,196,000	526,652,000
1918	1309	496,506,000	48,407,000	584,588,000
1919	1320	599,879,000	49,546,000	696,565,000
1920	1346	657,886,000	53,816,000	800,862,000
1921*	1356	586,079,000	55,909,000	764,414,000

* March 22, 1921.

The banks are not classified according to capital in the regular reports published by the Comptroller or the State banking department, but such a classification was made in the report of the National Monetary Commission in 1909 and is presented in Table VI. There are one or two inconsistencies in this report. For example, there are twenty-two State banks listed as having capital stock of less than \$25,000. Three savings banks are said to have no capital. Both of these conditions would be contrary to State law. If we accept the figures as given, some interesting facts are revealed. Five hundred banks are seen to have had a capital

CAPITAL	TOTAL NUMBER OF BANKS	NATION- AL BANKS	TOTAL EXCLUD- ING NAT'L	STATE BANKS	SAVINGS BANKS	LOAN AND TRUST COS.	PRIVATE BANKS
\$10,000 or less	281		281	10	177*		94†
10,000-24,900	219		219	12	172	1	34
25,000	296	92	204	108	77		19
25,100-49,900	124	22	102	50	42		10
50,000-99,900	306	134	172	80	72	7	13
100,000-249,900	125	65	60	21	27	4	8
250,000-999,900	13	5	8	1	5	2	
1,000,000	1	1					
TOTAL	1365	319	1046	282	572	14	178

* Includes three banks having no capital.
† Includes nine banks having no capital.

of less than \$25,000—the minimum amount permitted for national banks. Only one hundred and thirty-nine Iowa banks had a capital of \$100,000 or over, and only one reached the \$1,000,000 mark.

CLEARING HOUSE ASSOCIATIONS

Des Moines banks appear to have been the first in Iowa to organize a clearing house association. Its formal organization dates from December 5, 1887, although it had cleared, informally, a few days earlier.⁴¹⁰ In Sioux City twelve banks associated on July 14, 1889, to form the Sioux City Clearing House. The Davenport Clearing House Association was organized in August, 1895.⁴¹¹ The Cedar Rapids association adopted a constitution and by-laws on November 6, 1902, but did not begin the actual work of clearing until January 4, 1904.⁴¹² Dates of the organization of the other Iowa associations are not available, but it is of record that the Council Bluffs association was also active during the panic of 1907.

Data regarding clearing houses in Iowa cities are difficult to present satisfactorily because often no formal organization exists. The list of towns having recognized clearing houses at present includes Cedar Rapids, Council Bluffs, Clinton, Davenport, Des Moines, Dubuque, Estherville, Fort Dodge, Iowa City, Mason City, Muscatine, Osage, Sioux City, and Waterloo. Osage, the smallest of these towns, had less than 3000 population in 1915, and had but four banks. On the other hand, several of the larger cities of the State are not included in the list. But many cities having no recognized organization have some designated place where the exchange of checks is made each morning. None of the Iowa clearing houses make examinations of their members.⁴¹³

Statistics of the volume of clearings and other activities of clearing house associations are published in the annual

reports of the Comptroller of the Currency. Although reports are not secured from all of the clearing houses, the exchanges of those reporting from Iowa are given in Table VII.

TABLE VII

EXCHANGES IN IOWA CLEARING HOUSES ⁴¹⁴			
CLEARING HOUSE	EXCHANGES FOR YEAR ENDING SEPT. 30, 1920	EXCHANGES FOR YEAR ENDING SEPT. 30, 1919	EXCHANGES FOR YEAR ENDING SEPT. 30, 1918
DES MOINES	\$ 660,067,000	\$ 528,019,000	\$ 489,694,000
SIoux CITY	542,135,000	517,577,000	430,718,000
DAVENPORT	596,537,000	455,987,000	132,922,000
CEDAR RAPIDS	156,979,000	120,714,000	109,432,000
WATERLOO	109,812,000	88,755,000	112,062,000
DUBUQUE	74,821,000	59,058,000	49,641,000
MUSCATINE	36,727,000	28,597,000	23,268,000
IOWA CITY	47,782,000	26,075,000	20,274,000
OSAGE		5,482,000	5,064,000

In the crisis of 1907 the clearing house associations of several Iowa cities, following the example set by the associations in the financial centers, united to meet the financial strain. At the outbreak of the panic, Auditor B. F. Carroll sent a circular letter to the Iowa bankers stating that the department would permit temporarily considerable latitude as to reserve requirements and other restrictions. He advised the bankers to take the depositors into their confidence, but suggested limiting the amount of cash payments to depositors if necessary. The Federal Comptroller of the Currency also tolerated restriction of payments in the national banks, although he gave no explicit assent to the practice. The larger cities of the State immediately took action to limit their payments and create substitutes for cash during the period of the panic, but the record of the extent to which this was done is quite fragmentary. Data were se-

cured on this point shortly after the panic and these were later published by the National Monetary Commission. This study shows that the Cedar Rapids, Council Bluffs, Davenport, Des Moines, and Sioux City clearing houses imposed cash restrictions and made use of some kind of currency substitutes. Clearing house loan certificates and cashiers checks in convenient denominations for general circulation were the forms used by the Iowa associations. Undoubtedly there were other towns or cities where restrictions were imposed, but the general situation in Iowa was sound and little alarm was manifested by the people generally. J. N. Darling—"Ding"—in a cartoon published in the *Des Moines Register and Leader* depicted the frightened banker leading the old mare labeled "Public Confidence" past the financial jack-o-lantern. Old Dolly did not "bat an eye" throughout the ordeal, but when safely past was reproached for causing no end of trouble by losing her head in that way. This fairly reflected the situation in the State. Iowa farmers were so busy piling up the golden corn at good prices that they were not seriously concerned about the shortage of gold in the vaults of metropolitan banks.⁴¹⁵

BANK FAILURES

A record of the number of bank failures and the losses sustained by depositors would be of interest if complete data were available. The record for the national banks is complete up to October 30, 1920, and is shown in Table VIII. It will be seen that there have been seventeen failures. Within the past few months three other failures have been reported but the data for them are incomplete. Of those shown in the table the First National Bank of Ida Grove had already gone into voluntary liquidation, and the First National of Sioux City was restored to solvency. In the case of the failure at Ida Grove the record does not show any payments to depositors after the bank had been placed in

TABLE VIII

NATIONAL BANK FAILURES IN IOWA FROM 1865 TO OCTOBER 30,
1920⁴¹⁸

BANK	DATE OF FAILURE	CAPITAL STOCK	CLAIMS PROVED	DIVIDENDS PAID	PER CENT DIVI- DENDS PAID	LOSS TO DEPOSIT- ORS
KEOKUK						
1st NAT'L	Mch. 3, 1868	\$ 100,000	\$ 205,256	\$ 134,929	68.33	\$ 70,327
BEDFORD						
1st NAT'L	Feb. 1, 1876	30,000	56,457	12,624	22.50	43,833
OSCEOLA						
1st NAT'L	Feb. 25, 1876	50,000	34,535	34,536	100.00	
DUBUQUE						
COM'L NAT'L	Apr. 2, 1888	100,000	435,319	248,132	57.00	187,187
CEDAR FALLS						
1st NAT'L	June 13, 1893	50,000	126,411	75,969	58.50	50,442
IDA GROVE						
1st NAT'L*	June 4, 1895	150,000				
PELLA						
1st NAT'L	June 5, 1895	50,000	61,853	39,969	64.62	21,884
SIoux CITY						
SIoux NAT'L	Sept. 9, 1896	300,000	146,199	114,035	78.00	32,164
DECORAH						
1st NAT'L	Nov. 24, 1896	75,000	224,862	104,551	46.50	120,311
SIoux CITY						
1st NAT'L†	Jan. 7, 1897	100,000				
GRISWOLD						
1st NAT'L	Feb. 17, 1897	50,000	58,906	44,866	82.00	14,040
LEMARS						
LEMARS						
NAT'L	Apr. 17, 1901	100,000	122,403	75,971	60.00	46,432
STORM LAKE						
1st NAT'L	Jan. 2, 1904	50,000	139,455	37,786	29.00	101,669
GRINNELL						
1st NAT'L	July 27, 1904	100,000	337,215	290,220	86.00	46,995
CHARITON						
1st NAT'L	Oct. 31, 1907	50,000	1,311,365	628,121	47.87	683,244
CARROLL						
1st NAT'L	Oct. 21, 1908	100,000	406,276	257,708	63.10	148,568
CORNING						
1st NAT'L	June 22, 1914	50,000	236,241	163,718	69.35	72,523
TOTAL		\$1,505,000	\$3,903,753	\$2,263,135		\$1,639,418

* Formerly in voluntary liquidation.

† Restored to solvency.

the hands of the receiver. The First National Bank of Osceola paid the depositors in full. Losses to depositors have been considerable in the aggregate, although very small when compared to the total amount which has been on deposit throughout this period.

The record for the State supervised banks is not so complete. The only satisfactory data available cover the period since 1892, and hence include the panics of 1893 and 1907. Aside from the number of failures, little information is available. In 1892 there were no failures, but during the summer of 1893 four banks failed and a number of others suspended temporarily. During the two years following there were no failures, but in 1896 and 1897 six bank failures were noted. In the biennium following three failures were reported. One liquidation—whether or not to be classed as a failure is not clear—occurred in 1900-1901. In the next few years the number of failures increased somewhat: two in 1903, four in 1904, two in 1905, one in 1906, and four in 1907. During the eleven years from November 1907, to June, 1918, only one small failure was reported. Thirteen failures were reported from that date to the corresponding period in 1921.

As to losses the data show that for the thirteen failures from 1903 to 1907, four banks paid the depositors in full and the other nine an average of seventy per cent. In 1904, a year of unusual strain on banks in Iowa, Bradstreet's agency reported that the difference between the assets and the liabilities of the four State supervised banks which failed was \$269,000.⁴¹⁷

As for the private banks, the data available are not even as satisfactory as those which concern the State supervised banks. From the facts pertaining to years of unusual strain on banks it is safe to say, however, that the number of failures and the losses sustained have been proportionately much heavier than for the authorized banks. Figures quoted

from Bradford and Rhodes' *Bank Directory* for September 1, 1893, showed a total of thirty-one Iowa banks closed during the panic of 1893 (between April 6 and August 23, 1893). Of this number seventeen were private banks. Of the fourteen suspensions of authorized banks, seven had already resumed operation by September 1st; but none of the private banks are reported to have started operations again by that date.⁴¹⁸ Again during the period of strain in 1904 the heavy losses were in the private banks. In the year ending December 31, 1904, nineteen banks failed, and of this number fourteen were private banks. The crisis of 1920 placed a heavy strain on the banks. During the past fifteen months seventeen banks reported to have closed have not been able to resume business. Of these, eight were under State supervision, seven were private banks, and two were national banks. In addition to these there have been two or three banks which closed temporarily but have since been reorganized. Possibly some of the remaining ones may be restored to solvency, but it is not unlikely that other suspensions will take place before liquidation is completed. No data are available to show the amount of the losses. The proportion of bank failures does not appear to be high in Iowa as compared with other States.⁴¹⁹

Nearly half a century has elapsed since the foundations were laid for the present banking system. In the early seventies many counties in Iowa were still in the pioneer stage. Incorporated banks had not entered the newer sections; private banks were still the dominant type in the State as a whole. Banking institutions were scattered and resources were small. The remarkable growth in the number of banks, which has placed Iowa in the lead of all the States, has been accompanied by an even more remarkable growth of banking resources. In 1919 the total assets of the 1320 State supervised banks were over one hundred times as great as those of the forty-two banks of 1875. During the same time

the national banks, older and more numerous at the outset of this period, have also increased nearly twenty fold. Private banks are not any more numerous but probably have larger aggregate resources than they had fifty years ago.

Consolidation, with a resulting development of larger institutions, is a tendency which has recently been noticeable in Iowa banking. Complete statistics of mergers are not available, but in the biennial period covered by the last report of the State Superintendent of Banking, ten State incorporated banks were merged with other banking institutions. An even larger number consolidated in the preceding period.⁴²⁰ It seems likely that the future will see the development of more big banks in Iowa and not such a rapid increase in numbers. In 1919 there were one hundred and twenty national banks in the country having assets of more than \$25,000,000. These were distributed in thirty-nine cities in all sections of the nation, but no Iowa bank had yet attained that size, the largest national bank in the State having aggregate resources of \$23,157,724.⁴²¹

One effect of the World War was to cut down the rate of increase in the number of banks and to accelerate the growth in bank resources. This may be attributed in general to the great expansion of credit the country over. An interesting by-product of the war psychology was manifested in the effort of banks to eliminate any trace of Teutonic connection. Twenty-one State banks changed their names, before July 1, 1918, in order to eliminate the word "German".⁴²²

The half century record of Iowa banking has been one of distinct progress in other directions besides that of size. Thus, the high integrity of the men in the banking business is attested by the splendid record of safety which has marked the recent decades. The panic of 1907 did not result in heavy losses to Iowa depositors and while data for the present crisis are incomplete they do not show a high percentage of failures and losses. Moreover, in larger measure

than ever before the Iowa banker is reaching out for opportunities to promote the business of his community. In this manner the bankers have won a place of leadership in the commercial development of the State commensurate with the increased volume of their material resources.

IX

SUPERVISION OF BANKING

The supervision of banking which developed before the Civil War was devised primarily to protect note holders. With the establishment of the national banking system, however, publicity of the affairs of the banks was also provided in the interests of depositors and stockholders, and in this respect the national law became the model for later State legislation. Two general methods were adopted whereby the public interests could be conserved: reports of condition filed by the banks themselves were regularly called for; and periodic examinations by disinterested examiners were authorized. In the following discussion the treatment of these two forms of publicity will be considered separately.

REPORTS FROM BANKS

In the national banking act as revised in 1864 regular quarterly reports from the banks were prescribed. The dates were the first Mondays of January, April, July, and October. A bank's report of its condition was to be a detailed statement of the resources and liabilities. The Comptroller was directed to publish an abstract of the statements in some Washington newspaper and to require the individual banks to publish their statements in some newspaper in the town where the bank was located, or, in case no paper was published there, in the nearest town that had a newspaper. In addition to the quarterly statements, a monthly statement of the loans and discounts, cash on hand, deposits, and circulation was provided for.⁴²³

The weakness of the provisions of the original law was that it specified the dates upon which banks were to make

reports. In this way a bank could prepare for the periodic report and make a favorable showing. In 1869 the law was amended to meet this defect and to place still greater responsibility upon the officers for the correctness of the statements. This legislation required that banks make five reports annually on some past date designated by the Comptroller. The form of statement was to be prescribed by the Comptroller, and the report was to be verified by the president or the cashier of the bank and three of the directors under oath. Five days were allowed the banks in which to submit the report after the call was issued. Proof of publication in a newspaper of the town had to be furnished by the bank. The Comptroller was also permitted to call for special reports whenever he deemed such reports necessary. Additional reports to the Comptroller of the amount of dividends and of net earnings were prescribed. These were to be made within ten days after the declaration of each dividend. Delay or failure to submit the reports was made punishable by a fine of \$100 a day.⁴²⁴

National banks have also been required to make a semi-annual report of the amount of notes outstanding January 1st and July 1st. These reports are made to the Treasurer of the United States and are for the purpose of levying the tax on circulation rather than for the protection of creditors.⁴²⁵ In general the requirements laid down in this early law as to statements and reports from national banks have remained unchanged up to the present time.

The Auditor of State was the officer charged with the duty of supervising State chartered banks in Iowa prior to 1917. Under the provisions of the unused free banking law of 1858 he was to have had charge of the note issue, and to him quarterly reports of conditions were to have been made. Three bank commissioners were also provided for, who were expected to make examinations and exercise general supervision.⁴²⁶ In 1860 the first law calling for reports from

banks not carrying on the function of note issue was placed on the statute books. This act required all associations incorporated under the general incorporation laws of the State to make regular reports of their condition to the Auditor of State. The dates for these reports were the first Monday in January, April, July, and October. The prescribed statements were required to contain the following items of information:

1. The amount of the capital stock actually paid in, and then remaining as the capital of such association.
2. The amount of debts of every kind due to banks, bankers or other persons, other than regular depositors.
3. The total amount due depositors, including sight and time deposits.
4. The amount subject to be drawn at sight, then remaining on deposit with solvent banks or bankers of the country, specifying each city or town and the amount deposited in each and belonging to such association.
5. The amount of gold or silver coin and bullion belonging to such association at the time of making the statement.
6. The amount then on hand, of bills of solvent specie paying banks.
7. The amount of bills, bonds, notes and other evidences of debt, discounted or purchased by such association, and then belonging to the same, specifying particularly the amount of suspended debts, the amount considered good, the amount considered doubtful, and the amount in suit or judgment.
8. The value of real or personal property held for the convenience of such associations, specifying the amount of each.
9. The amount of the undivided profits (if any) then on hand.
10. The total amount of all liabilities to such associations on the part of the directors thereof.⁴²⁷

The law did not require the Auditor to publish statements of the condition of the banks: the reports were merely filed in the Auditor's office.⁴²⁸ He had no way of knowing what institutions were incorporated. Consequently he was unable

to call on them for statements in case they did not comply with the law. As shown in an earlier chapter, banks incorporated under the general incorporation laws existed even before 1860; but the data concerning them is scattered through the offices of the county recorders with whom they filed their articles of incorporation.

Provisions of the law of 1860 with some modifications were reenacted in the *Code of 1873*. Before being allowed to begin operations the stockholders of a bank were required to secure a certificate from the Auditor authorizing them to commence business, and this was not to be issued until the Auditor had satisfied himself that the association had complied with the minimum capital requirements laid down in the Code. The fixed date for submitting reports was dropped, and the plan of the national system of calling for reports on some past day was substituted therefor. The number of reports per year was limited to four. So far as the content of the reports was concerned no change was made; even the obsolete section regarding the amount of bills of "solvent specie-paying banks" was included.⁴²⁹

The Auditor was required to publish the reports in some newspaper of the county in which the bank was located. He was not specifically directed to make a statement of the condition of banks in his biennial report; but Auditor John Russell, after calling for reports from all banks that had their articles recorded in the office of the Secretary of State under the provisions of an act of 1870, made a synopsis of the reports received on September 26, 1873, which he published in his report for 1873. This was admittedly incomplete, but it was the beginning of regularly published statistics on general banking in Iowa.⁴³⁰

Legislation enacted in 1874 to regulate savings banks continued the same power of the Auditor to call for statements from savings banks which he had already possessed over these same institutions under the general law. Only slight

modifications were made in the wording of the law regarding the content of the reports. The Auditor was required by law to communicate to the General Assembly a statement of the condition of every savings bank and also to make recommendations concerning changes in the law. Since this practice had been started during the preceding year, no practical result came from this feature of the law except the separation of the State banks from the savings banks in the Auditors' summaries.⁴³¹

In the *Code of 1897* the same provisions regarding quarterly reports were reenacted; and in addition the Auditor was given authority to call for special reports from the banks whenever he deemed it necessary. Prior to 1921 no penalty was imposed for withholding this statement. An amendment by the legislature in that year fixed a penalty of \$10 per day for each day of delinquency, ten days being allowed in which to file the report after the call was issued before it became delinquent. By an amendment in 1921 it was further provided that the statement need not show the cash on hand and amount due from banks separately.⁴³²

At about this time an effort was made by the Iowa Bankers Association to secure a correlation of the reports of national and State chartered banks. A resolution was adopted at the 1897 convention recommending that the Auditor make the date of his call the same as that of the Comptroller for general statistical and comparative purposes.⁴³³ In his report for 1903, Auditor B. F. Carroll stated that the banks were recommending that five reports per year be submitted on the same date as the national bank statements were called for.⁴³⁴ In 1911 an amendment to the Iowa law directed the Auditor to call for reports of condition five times a year instead of four times.⁴³⁵ This made it possible for the Auditor to issue calls simultaneously with the Comptroller; and since September, 1917, the State Department of Banking has been sending out calls at the same time as the Comp-

troller.⁴³⁶ By the 1911 amendment the names of the banks in which the bank making the statement had deposits subject to call were eliminated from the published statement of the report. Banks were no longer required to publish the amount of liabilities due the bank by the directors thereof. Provision was made for the publication of the report by the Auditor in some newspaper of the town where the bank is located, the expense to be borne by the bank.

When the State Department of Banking was created in 1917, the only change made in the matter of bank statements and reports was to transfer the duties of calling for statements and publishing the same from the Auditor to the Superintendent of Banking. No provision was made for changing certain long recognized weaknesses in the manner of giving these reports to the public. During the past twenty years the Auditors have repeatedly called attention to the inadequacy of the present reports. The bank report which has been published biennially, includes only one of the eight to ten statements received during the two years. It was published as part of the Auditor's report, an arrangement which was neither convenient nor economical since many persons would be interested only in one report and not the other. Auditor B. F. Carroll pointed out that reports should contain a compilation of all reports made during the year. Auditor J. L. Bleakly, in an address before the Iowa Bankers Association in 1910, asked the support of the Association for proposed legislation providing for annual reports instead of the regular biennial reports, which he characterized as "ancient history when it emerges from the press." He stated that he was meeting this difficulty, in part, by making abstracts of the call reports and sending them to each bank in the State.⁴³⁷ Since 1917 the report of the State Department of Banking has been issued separately.

In the interests of economy a considerable forward step

was taken in the manner of presenting the statements of the banks in the reports published by the Auditor in 1916. Prior to that time a large portion of the Auditor's biennial report was taken up with printing, three to a page, the statements of each bank separately and for only one date. In 1916 the method of arranging the assets and liabilities by columns, following the model of the Comptroller's reports, was adopted. The condition of each bank at the close of the two fiscal years was thus presented. In 1914 Part II of the Auditor's report, dealing with the condition of banks, consisted of 382 printed pages. Considerably more data was given in quite as accessible form in ninety-seven pages of the 1916 report. In 1918 the Superintendent of Banking returned to the former method of printing each report separately. By placing four to a page he was able to include all of his report in 348 pages, all but eighteen of which were devoted to individual statements for one date only. In this matter the Iowa department is outdone by some of those in neighboring States. The report of the Michigan Bank Commissioner in 1916 consisted of 635 printed pages, each bank having a page of its own.

A comparison of the statistics compiled and published by the Department of Banking in Iowa with those put out by the Comptroller of the Currency and the banking departments or bank commissioners of other States shows that the Iowa statistics are incomplete and inadequate. Among the features which are to be found in other reports, and would be of value and interest are: the earnings of the banks; a classification of the kinds of loans; complete data as to all failures of banks under the supervision of the Banking Department; an abstract of the reports of the Comptroller dealing with the national banks of Iowa for comparative purposes; the members of the Federal reserve system; and the data on all banks of the leading cities of the State separately. As part of their report, the Comptroller and cer-

tain of the State bank commissioners, or superintendents, make rather full reports of general financial conditions, the administration of laws that have been enacted, and recommendations as to needed legislation. The Auditor has, in the past, suggested many desirable reforms which have subsequently been enacted into law. He has not, however, been able in addition to his numerous other duties to devote much time to a general survey of financial conditions. In the first report submitted by the Department of Banking there is no effort to do anything more than what had been done before in this respect. Certain observations of G. H. Messenger, at that time Superintendent of Banking, regarding land values in Iowa, quoted by the Iowa press during the summer of 1919, indicated that he was in a position to incorporate in his report some facts concerning Iowa economic conditions that might well be published.⁴³⁸

EXAMINATION OF BANKS

In addition to the reports and statements which the national and State supervised banks are required to make, they are also subject to periodic examinations by the supervising authorities. Under the terms of the national banking law of 1864 the Comptroller was authorized to appoint suitable persons to make examinations of the banks whenever he deemed it necessary. It was the duty of such examiners to make full and detailed reports of the condition of the institutions to the Comptroller. The examiner was given power to make a thorough examination into all the affairs of a bank, including an examination under oath of the officers and agents thereof. Compensation for examiners was fixed at \$5 per day, and \$2 for each twenty-five miles they were compelled to travel in the performance of their duties. This fee was paid by the bank examined.

In 1875 the basis of compensation was changed from a per diem fee to a fee based on the capital of the bank ex-

amined. The fee was graduated according to the capital, varying from \$20 for banks having a capital of less than \$100,000 up to \$75 for those having a capital of \$600,000 or over.⁴³⁹ This fee system was open to the objection that since the examiner's income depended upon the number of banks he could examine there was a temptation to do hurried work—an evil which was recognized by the Iowa bankers and condemned by a resolution of the Bankers Association.⁴⁴⁰ In the Federal Reserve Act of 1913 several important changes were made in the conduct of the Comptroller's examinations. While the former law had left the number of examinations to the discretion of the Comptroller, the amendment fixed this number at a minimum of two in each calendar year. More frequent examinations may be made if the Comptroller considers it necessary. The fee system was abolished, and regular salaries have since been paid to the examiners. The expense of the examination was thereafter to be assessed upon the banks examined in proportion to the assets. This change from capital to assets as a basis of assessment is recognized as a sound principle, since the assets may vary considerably without a change in the capital; while the assets are the items which the examiner must inspect.

In order to remove any temptations to partiality in making examinations, no examiner is permitted, under pain of heavy penalties, to receive any loan or gratuity from any bank which he examines. He may not be in any way financially connected with the bank. Nor is the examiner allowed to disclose his findings to any person or persons except the Comptroller, the proper officers, or a court of competent jurisdiction.⁴⁴¹

Examinations come at irregular intervals without warning to the bank: the examiner is permitted to come in at any time, to count the cash, to inspect the loans, to examine the investments, to scrutinize the expense accounts, and to make

himself generally familiar with the bank's management and condition. If he is not satisfied from investigation that the bank is in a satisfactory condition, he makes such report to the Comptroller who then sends notice to that effect to the bank with suggestions also for correcting the defect.⁴⁴²

In addition to the examinations by the regular examiners under the Comptroller, the Federal Reserve Act authorized each Federal reserve bank, with the approval of the Federal reserve agent or the Federal Reserve Board, to make special examinations of member banks within its district.⁴⁴³

The *Code of 1873* contains the first provisions for examinations of the banks under the present laws of Iowa. At that time the Auditor was authorized to make, or cause to be made, an examination of any banking association operating under the general incorporation laws. No provision was made for bearing the expense of such examinations, nor was any number of examinations per year prescribed. At first, the examinations appear to have been conducted very infrequently and irregularly. In his report for 1881 the Auditor noted that he had caused to be made an examination of all incorporated banks of the State. Apparently only one examination was made in the biennium. His predecessor also notes the fact that he had complied with the law in respect to making examinations, but he does not state the number. At present it is the practice of the State Department of Banking to make at least one examination of all banks under its supervision each year. Banks needing special attention are given more frequent examinations, but this number is not large, so that on the whole annual examinations are now the rule.

In 1885 Auditor J. W. Cattell called attention to the fact that no provision was made for defraying the expenses of needed examinations. He said the custom had been to charge them to the bank, and that the banks had quite generally paid them. It was his opinion that the matter should

not be left in this doubtful condition, and so he recommended a fee for examination similar to that required of the national banks, graduated according to capital. The legislature failed to act at that time, and the recommendation was renewed by the succeeding Auditor.⁴⁴⁴

In 1890 the legislature acted on the matter, specifically authorizing the Auditor to appoint one or more bank examiners to hold office at his pleasure. The expense of the examinations was to be paid by any bank, State or savings, which received examination. If the examination was conducted by the Auditor personally, he received only his necessary expenses. The fees for the regular examiners were graduated according to capital, ranging from \$15 for a bank of \$50,000 capital or less up to \$30 for a bank having a capital of \$200,000 or over.⁴⁴⁵ The provisions of this legislation regarding examinations followed rather closely the national banking law. In so doing it introduced the two evils of a fee system for compensating examiners and of an assessment of expenses according to capital stock, rather than the more accurate basis, later adopted, of total assets.

The first of these defects was remedied by legislation enacted in 1904. At that time all previous laws regarding bank examiners were repealed, and the Auditor was authorized to appoint four bank examiners at an annual salary of \$1800 and necessary expenses. The total amount paid for salaries and expenses was not allowed to exceed the amount of fees collected from the banks examined. The amount of the fees from the banks was not changed, but, instead of being assessed at the time of examination, the fees were made payable to the Auditor annually before March 1st of each year.⁴⁴⁶ In 1906 the number of bank examiners was increased to five, and provision was made to include loan and trust companies under the law relating to examination of banks.⁴⁴⁷ Again, in 1909 the number of examiners was increased from five to six. No change was made in the

salary paid, but the fees payable by the banks were raised. The rates were fixed at \$15 for a bank having a capital of \$25,000 or under, and were graduated up to \$50 for a bank having a capital exceeding \$150,000. One of the examiners was to be designated by the Auditor as chief examiner; it was his duty to have charge of the department examiners and of reports.⁴⁴⁸

Again in 1915 the number of examiners was increased and the assessed fees were raised while other modifications were made in the law. The Auditor was authorized to appoint from six to nine examiners. A qualification for examiners introduced at this time was five years of banking experience. The fees assessed against the smaller banks remained unchanged, but the maximum amount was increased so that a bank with a capital in excess of \$200,000 was charged \$150 annually.⁴⁴⁹

The duties of supervision taken over by the Banking Department in 1917 included the examination of the banks and trust companies of the State. Power to appoint from six to eight bank examiners was given to the Superintendent. Three years of practical bank experience was made a qualification for the office. The maximum salary was raised to \$2200 per annum plus the necessary expenses incurred in making examinations. Salaries and expenses of the Superintendent and examiners were again limited to not more than the fees collected from the banks and trust companies.⁴⁵⁰

In 1919 the section of the law relating to the number and salary of bank examiners and clerks in the Banking Department was repealed and a substitute enacted therefor. It had been found that the number of examiners was too small for the amount of work they were required to do. Moreover, the salary was inadequate to hold men of ability—as many as three examiners had left the Department in a single week to take better paying positions elsewhere. To meet

these difficulties the General Assembly substituted for the maximum number of eight examiners, a limit of one examiner for each hundred banks or major fraction thereof under the jurisdiction of the Banking Department. At the time of the passage of the act there were 1318 State supervised banks, therefore the number of examiners was automatically increased from eight to thirteen. The maximum salary of examiners was raised from \$2200 to \$3000.

Increased expenses due to the increased number and pay of examiners made necessary a change in the fee system which had been in vogue for several years. The law required that the expenses of the Department be met from the fees collected from the banks. During the year 1918 several hundred banks had voluntarily contributed ten dollars each in order to sustain the Department. The basis of fees paid by banks had formerly been the capital stock of the banks. As a matter of fact the inspection of the assets constituted the real work of examining the bank. The total assets of the banks were growing very rapidly, more so than the capital stock. Hence the basis of assets, already used in the fee system of the national banks, was adopted in the new law. The rate of the fees assessed was \$1 per \$1,000 of assets on the first \$25,000 of assets, and at the rate of two cents per \$1000 of assets on all assets over and above \$25,000. It was also provided that no examination would be made for less than \$20. All fees were made payable to the Superintendent of Banking within ten days of the time of making the examination. These fees were then to be turned over to the State Treasurer. No payments toward salaries or expenses of the Department could be made by the Treasurer unless there were funds on hand, received as income from the Department to pay the same.⁴⁵¹

The national or State bank examiners forward their reports of the examinations they make to the Comptroller or the State Banking Department as the case may be. These

reports are not communicated to the bank officials, except when it is necessary to bring to their attention some unsatisfactory condition which demands correction. Bank directors should possess intelligent knowledge of the bank's affairs, for it is recognized that a bank whose affairs are known to only one or two men is likely to be mismanaged. The Comptroller has urged upon national banks the desirability of examinations by the board of directors. State Auditor C. C. McCarthy in 1893 recommended to the General Assembly the passage of a law requiring that directors of State supervised banks make regular examinations. The legislature enacted a law the following year which provided that the board of directors of any State or savings bank must appoint an examining committee from its own members to make an examination of the bank at least once every quarter. This examining committee was to report its findings to the board, which report must be recorded in the minute book of the bank.⁴⁵² In 1906, upon the recommendation of Auditor B. F. Carroll, this section was amended to require that one of the quarterly examinations should be in June and another in December. The results of these examinations, in addition to their being recorded in the minute book, must be reported to the Auditor. Failure to make this report promptly to the Auditor was to be followed by an examination of the bank by one of the regular bank examiners at the expense of the bank.⁴⁵³

Frequently a national bank and a savings bank or trust company operate in the same room and are owned by the same stockholders. For the convenience of these associated banks, the Banking Department and the Comptroller's Department always coöperate in making examinations.⁴⁵⁴

THE STATE BANKING DEPARTMENT

Reference has frequently been made in the preceding pages to the State Department of Banking. Prior to 1917

the State chartered banks were under the supervision of the Auditor of State. It was early recognized that the business of the Auditor exceeded that of other State officers and, therefore, he was unable to give the personal attention to the details of certain branches of his department that was desirable. The Auditors during the seventies and early eighties all recommended the creation of a separate department for the supervision of insurance and banking.⁴⁵⁵ Problems connected with the supervision of insurance were especially arduous, and it was in that connection particularly that the recommendation was pressed. A separate insurance department was not created until 1913; but for some time after this the banks were left under the Auditor's supervision.⁴⁵⁶

In general the early recommendation of the Auditors favoring a separate department or departments of banking and insurance was supported by the Governors. When former Auditor Buren R. Sherman became Governor in 1882, one of the recommendations in his first inaugural message to the General Assembly was the creation of a Commissioner of Banks and Insurance.⁴⁵⁷ The Iowa Bankers Association was also on record as favoring a separate banking department. At their 1912 convention a resolution to that effect was adopted on the grounds that such supervision would be more efficient and satisfactory to the banks and afford greater protection and security to the public at large. The law passed by the Thirty-seventh General Assembly creating a separate State Banking Department was drafted by the officers of the Iowa Bankers Association and fostered by the Association. It was doubtless due to their support that the measure was passed, since at that time the Auditor was opposed to having the Banking Department divorced from his office.⁴⁵⁸

In March, 1917, the General Assembly passed an act establishing the "Banking Department of Iowa", the chief officer

of which was to be the "Superintendent of Banking". All of the books, records, reports, and securities or papers of any kind in the possession of the Auditor relating to banking were at the time of taking effect of the act (July, 1917) to be delivered to the Superintendent of Banking. His duties included all those imposed upon the Auditor which related in any way to banking matters.

The Superintendent of Banking was made an appointive officer, nominated by the Governor and confirmed by a two-thirds vote of the members of the Senate in executive session. But nominations made to the Senate may not be considered by that body until the same have been referred to a committee of five appointed by the president of the Senate. Nor may consideration of the nominations take place on the same legislative day that the nomination is referred to the committee of five. The principal qualifications of the Superintendent, aside from general fitness, is that he shall have had at least five years executive experience in a State or savings bank in Iowa. He is appointed for a term of four years with a salary of \$4000 per year.⁴⁵⁹

George H. Messenger, president of the Van Meter State Bank and of the Linden Bank was the first appointee. He began his banking experience in Iowa in 1895 and had, during more than twenty years of practical experience, become thoroughly familiar with banking in Iowa and possessed of a wide personal acquaintance among bankers.⁴⁶⁰ Mr. Messenger resigned early in 1920 and M. V. Henderson, Jr., of Hawkeye, Iowa, was appointed to succeed him. Mr. Henderson was also a man of wide banking experience and at the time of his appointment was treasurer of the Iowa Bankers Association. At the expiration of his term of office, July 1, 1921, W. J. Murray of Eldora was appointed for the regular term of four years.

By the terms of the law of 1917 the Superintendent of Banking was given authority to appoint not to exceed four

clerks or stenographers in addition to the eight bank examiners. He was to fix the salaries of clerks and was held responsible for all work done by his department.⁴⁶¹ The 1918 report of the Banking Department shows that the office force consisted of a secretary, a legal clerk, an accountant, and a stenographer. The duties of the Department proved to be too heavy to be properly conducted by the office force permitted by law. Accordingly when the number of examiners was increased in 1919, the law was also amended to permit the employment of additional office help. Clerks, stenographers, or special assistants to the number of one for each two hundred banks were authorized. One of these was to be a Deputy Superintendent of Banking, who should be qualified to perform all of the duties of the Superintendent during his absence or inability. The maximum salary of the deputy was fixed at \$3000 per annum; the amount of salaries of the other clerks was left to the discretion of the Superintendent. A general salary act was passed by the Thirty-ninth General Assembly fixing the number and compensation of employees in the several State departments, including those in the Department of Banking. This act did not change the salary of the Superintendent or the Deputy Superintendent and allows for a salary range of from \$1800 to \$3000 per annum for bank examiners. Expenses are also allowed the Superintendent for attending the group meetings, and the State convention of the Iowa Bankers Association, meetings called by the Federal Reserve Bank of Chicago, or other annual meetings of banking supervisors or commissioners. A limit of \$500 per year has been fixed for expenses in attending these meetings.⁴⁶²

In 1919 the powers of the Superintendent of Banking were enlarged; he was given authority to deny a charter to any proposed bank whenever in his judgment the locality in which the proposed new bank was to be established was amply served with banking facilities, or if he believed the

individuals named as officers and directors are not such as to command the confidence of the community. An appeal might be taken from his ruling to the Committee on Retrenchment and Reform—a committee of the legislature composed of five members each of the Senate and House of Representatives. Any order reversing the decision of the Superintendent must have the majority vote of this committee, which decision should be final and conclusive. This increased power granted the Superintendent was but temporary, the provisions of the law in this respect being of no force or effect after December 31, 1920. Prior to the meeting of the General Assembly in 1921, an investigation was conducted by the Iowa Bankers Association concerning the powers of the banking departments or boards of other States to refuse bank charters. On the basis of the information secured it was planned to support the reënactment of the bill, but circumstances arose which made it seem certain that such a measure could not be passed. Accordingly the matter was dropped without presenting any bill to the legislature.⁴⁶³

Two principal reasons, growing immediately out of the war, are to be found for this temporary measure: to curtail unnecessary business expansion during the period of reconstruction following the war; and to prevent the formation of the so-called "spite banks". In addition to those who supported the temporary measure for these reasons there were many who desired a law which would permanently confer this power on the Superintendent in order thereby to reduce competition among banks. In fact, the opponents of the bill charged that this was the real reason for the passage of the law. Evidence is not lacking, however, showing that the temporary causes played an important part in creating sentiment for the measure. At the 1918 convention of the Iowa Bankers Association a resolution had been passed to the effect that the Association was opposed to any new

enterprise not of direct benefit in winning the war and therefore the Association requested the Comptroller of the Currency and the Superintendent of Banking not to issue authority for any new bank or corporation not essential in Iowa during the period of the war.⁴⁶⁴ Although the armistice had been signed before the legislature convened, this reason seems to have had some weight. It was also charged that in some communities the Germans were withdrawing and forming the so-called "spite banks", supported by their own nationality. These Germans were said to be boycotting the established banks because of the subscriptions required of them in the drives for the sale of war bonds.

Under the authority thus conferred upon him the Superintendent of Banking has had occasion to defend his opinion in at least two cases. An appeal was brought to the Committee on Retrenchment and Reform by merchants and business men of Unionville who had been denied a charter by Mr. Messenger. The place is a small unincorporated town which already had one bank. It was on the ground that this town could not support two banks that the proposed charter was denied. The decision of the committee was a tie vote, thus affirming the decision of the Superintendent. In the case appealed from West Union the decision of the Superintendent of Banking was reversed.⁴⁶⁵

The desirability of thus allowing one man to decide the question as to whether a bank may be permitted to obtain a charter has been seriously questioned. Since a similar authority is vested in the Comptroller of the Currency, so far as the establishment of national banks is concerned, there is a precedent for this kind of legislation.⁴⁶⁶ A majority of the States also have some provision for preventing the establishment of banks where they do not appear to be needed or where the founders do not command public confidence. The act which vested this power in the Superintendent of Banking also prohibited any more private banks

from commencing business. Of the wisdom of the latter provision there can be no question. Neither can the temporary authority conferred upon the Superintendent be regarded as a menace. The question as to whether or not the provisions of the temporary measure should be permanently adopted has aroused considerable difference of opinion. Iowa already leads all the States of the Union in the number of banks. The intensity of competition has resulted in certain evils,⁴⁶⁷ but it has also forced the bankers to adopt a policy of community service and business alertness which has been highly beneficial. If the effect of such a law is to grant a monopoly to existing institutions without reserving the right to regulate rates and service, it would be contrary to public policy. There is no reason to believe, however, that the Superintendent of Banking would undertake to arbitrarily restrict the legitimate extension of banking facilities, especially since there is a chance to appeal to the Committee on Retrenchment and Reform.

The legislative committee of the Iowa Bankers Association backed several blue sky bills which were intended to provide regulations for the promotion fees for the issuance or sale of stock by corporations. In general this program failed of passage, but one bill, prohibiting the receiving of a commission or bonus of any kind for organizing a bank or securing subscriptions of capital to the same, was enacted into law.⁴⁶⁸ This would appear to be a further step in the direction of discouraging the establishment of new banks except where really needed.

In the supervision of banking Iowa ranks fairly well among the States. Supervision of private banks continues to be lax and wholly inadequate, but the prohibition by law of new private banks and the steady rate at which this type of institution has been organizing under State or national laws makes it seem probable that the number of these banks

in the future will be relatively insignificant. Perhaps in time public sentiment will support a law which will either force the remaining institutions under State supervision or else take from them the right to call themselves banks. With the organization of the Department of Banking a forward step was taken which placed Iowa in line with the other leading States. As time passes this Department may be expected to be of still greater service to the banks and the public. The efficiency of supervision in the past, as well as the conservative character of Iowa's bankers, is attested by the small list of failures among the State supervised banks.

X

THE FEDERAL RESERVE SYSTEM IN IOWA

The establishment by Congress of the Federal reserve system in 1913 changed materially the position of the national banks of Iowa. Moreover, its influence on the State chartered banks has been very marked. Considerable special legislation has been necessary to adapt the Iowa banking laws to the changed conditions, and in the future the influence of the Federal reserve system in Iowa banking may be expected to become even more important. Because of its importance and because of its special nature, the history of the system in Iowa has been reserved for special treatment in this chapter.

ORIGIN OF THE FEDERAL RESERVE SYSTEM

The temporary breakdown of the nation's banking system in the panic of 1907 was the immediate cause of the adoption of the Federal Reserve Act. Defects in the banking system of the country had been pointed out from time to time, but the nation was not thoroughly awakened to the need of a fundamental change in its banking organization until the crisis of 1907 revealed the weaknesses of the old system. The underlying defect was shown to be a lack of cohesion in the entire banking structure. Nearly twenty-five thousand banks were operating in the United States in 1907; and approximately seven thousand of these were under national law. The remainder were either under State laws or were entirely unregulated.⁴⁶⁹ Even in the case of the national banks there was lacking the necessary centralization of control and unity of action. Whatever united effort was put forth to save the banks in the crisis

came through the clearing house associations of the various cities.

Congress was not prepared to adopt a comprehensive reform in banking during the session of 1907-1908. The need for more information was recognized and met by the creation of a National Monetary Commission, composed of nine members from each branch of Congress. This commission was given liberal appropriations and authorized to make a thorough study of monetary conditions in this country and abroad. Meanwhile, some steps had to be taken to meet the strong popular demand for currency reform. A bill was hurriedly passed and approved, May 30, 1908, known as the Aldrich-Vreeland Act. This act was recognized as a temporary expedient, since it was to expire by limitation on June 30, 1914. It was later extended one year by the Federal Reserve Act. Under the provisions of this act associations of banks, known as "National Currency Associations", were permitted to issue currency secured by a deposit of commercial paper. There was also provision for the issue of additional circulation secured by deposit of bonds other than bonds of the United States by national banks not members of a currency association. The purpose of the additional circulation provided by the act was solely to furnish an emergency currency.⁴⁷⁰

After a thorough study of banking and currency problems in the United States and the other leading commercial countries, the National Monetary Commission brought in a report and a bill in 1911; but no action was taken until after President Wilson's inauguration in 1913. Together with tariff revision, banking and currency reform became one of the important problems before the special session of Congress. The monetary legislation was put through as a party measure, and the majority of the Iowa members of Congress, being Republicans, opposed its enactment. While the bill was before Congress the sentiment of Iowa bankers

was unfavorable to the measure. Speaking in opposition to the compulsory feature of the measure, so far as national banks were concerned, Representative H. M. Towner stated that he had sent copies of the bill to bankers in his district, asking an expression of opinion. Of the thirty-eight answers received, only two favored the bill; three were non-committal; and the rest opposed it. Eighteen national bankers stated that they would give up their charters rather than accept the conditions of the bill.⁴⁷¹ Amendments subsequently adopted met some of the objections raised by the bankers; but, on the whole, the sentiment of Iowa bankers was one either of opposition or of indifference to the act when finally passed. Some prominent Iowa bankers, on the other hand, strongly endorsed the new system. Among these, Arthur Reynolds of Des Moines, President of the American Bankers Association, was an active leader.⁴⁷²

When the time came to organize the system and divide the country into districts, Iowa bankers were interested in preventing the State from being split into several parts. The Council of Administration of the Iowa Bankers Association voted on January 9, 1914, to take up with the organization committee the question of having the entire State placed in the Chicago district. A large committee of Iowa bankers met with the committee on January 19th.⁴⁷³ The division of the country into districts, which resulted in placing the entire State of Iowa in the seventh district, with headquarters at Chicago, was an arrangement very satisfactory to the Iowa banks.

Provision was made for the establishment of branches of the Federal reserve banks to serve localities inconveniently located with regard to the bank of their district. Twenty-one branches of the twelve Federal reserve banks had been established by March 1, 1920.⁴⁷⁴ The fact that no such branches have been established to serve Iowa banks is evidence that Chicago has proved sufficiently convenient.

MEMBERSHIP IN THE SYSTEM

Membership in the Federal reserve system was made compulsory for all national banks and optional for the State chartered banks. Sixty days were allowed the national banks in which to signify their intention of joining; State banks were allowed the privilege of entering at any time. In spite of the earlier threats of withdrawal from the national system, all but seventeen of the national banks of the entire country had signified their acceptance of the system by the end of the sixty day limit.⁴⁷⁵ State banks, on the other hand, were almost as unanimous in staying out of the system. Up to June 21, 1917, when some important amendments to the law were passed, only fifty-three State banks and trust companies in the United States had become members.⁴⁷⁶

The provisions of the Federal Reserve Act regarding State bank membership required the banks to conform to the capital requirements of national banks, to observe the limitation on loans to a single individual or firm of ten per cent of the capital and surplus of the bank, to meet the same reserve requirements as national banks, and to be subject to examination and supervision of the Federal Reserve Board.⁴⁷⁷ In the amendments which have since been enacted, particularly those of June 21, 1917, changes have been made in certain general features of the act and in the sections relating especially to State bank membership which make the system more attractive to State banks.

The important changes made in the system in June, 1917, were, first, the lowering of the reserve requirements for all member banks, the cash-in-bank reserve being left entirely at the option of the banker. The amount to be held on deposit in the Federal Reserve Bank was fixed at thirteen per cent of the demand deposits and three per cent of the time deposits for banks in a central reserve city. Banks situated in reserve cities must have on reserve, with the Federal

Reserve Bank, ten per cent of the demand deposits and three per cent of the time deposits. At present banks in four Iowa cities come under this provision.⁴⁷⁸ Banks in all other cities or towns of the State were required to keep reserves of seven per cent of their demand deposits and three per cent of their time deposits.

In the second place, the State bank members were given certain new special privileges. They were given the opportunity of withdrawing from membership at any time upon six months written notice to the Federal Reserve Board. State banks were permitted to become members of the system and still loan to one individual or firm an amount above the ten per cent of capital and surplus which was the maximum for national bank members. But in case any borrower owed a member State bank in excess of the ten per cent, his paper was made ineligible for rediscount. Provision was also made whereby the examinations made by State authorities might be accepted in lieu of examinations made by the examiners approved by the Federal Reserve Board. The number of reports of condition and of payment of dividends required from State bank members was fixed at not less than three each year.⁴⁷⁹

State banks in Iowa were barred from the opportunity of becoming members of the system during the first year of operation. Auditor John L. Bleakly stated that he had many inquiries at the outset from State banks desiring membership, but his ruling was that the permission could not be granted until the legislature changed the Iowa laws to permit banks to hold stock in other banks.⁴⁸⁰ At the 1915 session of the legislature, State banks, savings banks, and trust companies were granted the right to subscribe for stock of the Federal Reserve Bank, upon an affirmative vote of fifty-one per cent of their stockholders.⁴⁸¹ Although the way was thus cleared as soon as possible for State banks to join the system, only one State chartered bank in Iowa, the

Bankers Loan and Trust Company of Sioux City, was a member of the Federal reserve system by the end of the year 1916.⁴⁸²

ATTITUDE OF IOWA BANKERS

The explanation of the failure of State banks to join the system lies partly in defects of the law during the early years and partly in the attitude of hostility or opposition shown to the system by national bank members. The position of the Iowa Bankers Association can be shown from the attitude of the 1915 and 1916 conventions. At the 1915 convention Senator John Weeks of Massachusetts, a member of the banking and currency committee of the Senate during the session which passed the Federal reserve law, addressed the bankers on the general relations of the government to business. Senator Weeks had been one of the few Republican Senators to vote for the bill; and in the course of his address he endorsed the Federal reserve system in rather luke-warm manner.⁴⁸³

A year later the spirit of the convention was one of open opposition to certain phases of the system. The President of the Association in his annual address stated that in his opinion the war alone had prevented a disastrous panic at the opening of operation of the banks. He advised banks not members to "think long and earnestly", if they were considering joining, before deciding affirmatively. He even went so far as to say: "I believe I am not suggesting anything out of the way in saying that the State and savings banks of this State, should they ever desire or feel that they should belong to the Federal Reserve Bank, would find it a great mistake and calamity to them."⁴⁸⁴

F. Howard Hooke, editor of the *Financial Age* of New York City, addressed the same session of the Association. He asserted that the Federal Reserve Act as it stood on the statute books "is fundamentally unsound, structurally

wrong and impracticable in its operation.” One of his arguments, which might be expected to be particularly effective in discouraging State bank membership, was the cost of the system to the member banks. “It cost the bankers and indirectly the people \$1,700,000 to operate the Federal Reserve Banks last year, and with increasing activities the Lord only knows what it will cost in subsequent years”, was one of Mr. Hooke’s statements.⁴⁸⁵

In view of the subsequent record under increasing activities these objections furnish interesting reading. In 1918 the gross earnings of the entire system were \$67,584,417, and net earnings were \$55,446,979. The net earnings of the Federal Reserve Bank of Chicago were \$6,805,081—equivalent to about sixty-one per cent of the paid-up capital as of December 31, 1918. After paying dividends of \$603,602 there remained \$3,100,223 to transfer to the surplus fund and an equal amount to turn over to the government as a franchise tax, in accordance with the plan for division of earnings above the six per cent cumulative dividend allowed the member banks. In 1919 the net earnings of the Federal Reserve Bank of Chicago were \$8,576,204. The net earnings for the entire system in 1920 were 158.4 per cent of the capital stock.⁴⁸⁶

Some support for the Federal reserve system was brought out in the discussion of a resolution to the effect that the Iowa Bankers Association favored the abolition of the Comptroller’s office. The resolution was finally tabled.⁴⁸⁷ On the whole, however, the attitude toward the new system during the first two years of its existence, as shown by the Iowa Bankers Association, was either one of indifference or opposition.

The outbreak of the war and the amendments of June, 1917, were responsible for a marked change in the membership of State institutions. The removal of obstacles in the way of State bank membership came at a time when the

requirements of financing the war made evident the need for coöperation. Patriotism was coupled with a desire on the part of banks to strengthen their own position for the great effort of war financing. President Wilson urged upon the banks the need for strengthening the resources of the Federal reserve system. He stated that the financial power of the country would depend largely "upon the strength and staying powers of the Federal reserve banks". Eligible State banks were urged to consider the question of membership in the Federal reserve system as a "solemn obligation".⁴⁸⁸

Iowa's response to this appeal is noteworthy. By the end of 1918 seventy-seven State banks were members. Among these were included some of the larger State banks, notably the American Commercial Savings Bank of Davenport with resources of fourteen and one-half million dollars.⁴⁸⁹

By 1918 there was a complete reversal of attitude by the Iowa Bankers Association. The members of the Association gathered in convention at Dubuque on June 19th and 20th when the war situation was not encouraging. The thought of the hour was centered upon winning the war, and as bankers the members of the Association sought to carry their share of the burden. Praise for the part played by the Federal reserve banks in handling the financial problems of the war was frank and generous. C. A. Hinsch, President of the American Bankers Association, stated in the course of his address, that: "The Federal Reserve Act is the greatest piece of constructive legislation ever enacted by our Government and it is very fortunate indeed that we were able to place this great system in operation before entering the world war. . . . All eligible State Banks should join the system. It is inconceivable that the National Banks alone would be expected or permitted to insure the financial stability of the country unaided by the eligible State Banks." J. B. McDougal, Governor of the Federal

Reserve Bank of Chicago, also strongly urged State banks to join. He expressed the opinion that the attitude of indifference and criticism at first shown by members had changed. President-elect J. H. Ingwersen endorsed every statement made by Governor McDougal and urged the need of a unified system of banking.

Official endorsement of the Federal reserve system was given by the Iowa Bankers Association in a resolution which reads as follows:

Whereas, the Federal Reserve System has proven a tower of strength to the Nation, and to our allies in financing the activities of war and in stabilizing and protecting the business interests of the country:

Therefore, Be It Resolved, That we, the Iowa Bankers, in Convention assembled, endorse the Federal Reserve System and recommend that State Banks give careful and favorable consideration to the privilege they have of becoming members of the system, both for the advantages they will gain and as a patriotic duty to aid the Government to mobilize the financial resources of the Nation for the successful prosecution of the War.⁴⁹⁰

The good will of the Iowa Bankers Association toward the Federal reserve banks has been repeatedly manifested in succeeding years. Governor W. P. G. Harding of the Federal Reserve Board has twice been welcomed as a convention speaker and the officers of the Federal Reserve Bank of Chicago have also addressed the Iowa bankers at the annual convention. In November, 1920, the Association promoted a series of farmer-banker conferences at which the officials of the Reserve Bank were the principal speakers. At the annual convention earlier in the same year a permanent Federal Reserve Committee was created whose duty is to present to the officers of the Federal Reserve Bank matters affecting the members of the Association and to cooperate with them in securing needed changes in the law or its administration.⁴⁹¹

SERVICE IN THE CRISIS OF 1920

The signing of the armistice did not terminate immediately the necessity for government financing. Moreover, it left a heavy problem of credit readjustment. During the early months of the year 1919 business was somewhat uncertain and wholesale prices slumped slightly. This was followed by a post war boom in practically all lines of industry. In Iowa this activity in general business was accompanied by land speculation and the flotation of many industrial propositions, few of which gave promise to a conservative investor of being ultimately successful. The average price of land increased \$63 per acre during 1919; cases of re-sale within a few weeks at an advance of from \$50 to \$100 per acre were not uncommon during the summer months. During the same period \$200,000,000 of capital are estimated to have been wasted in wildcat promotion projects.

During 1919 the Federal Reserve Board hesitated to try to curb this over-extension of credit by raising the discount rates of the banks. According to the Governor of the Federal Reserve Board, the "principal reason why discount rates were not increased earlier than they were in 1919 was on account of Treasury financing." Purchasers of Liberty bonds had been urged to "borrow and buy" on the promise of low interest rate on notes secured by government obligations. By the end of the year 1919 it was felt that the bond purchasers had been given sufficient assistance. In the early weeks of 1920, therefore, the Federal reserve discount rates were increased in the hope of checking further inflation. Rates on commercial paper were advanced from four and three-fourths per cent to six per cent for the Chicago district. In the early summer the commercial rate was advanced to seven per cent. The effect of this was to aid in checking the expansion of credit and starting a movement toward liquidation.

The reports of the State and savings banks in Iowa show that expansion of credit continued until the spring of 1920. On April 2nd, the State and savings banks reached the maximum volume of loans shown by any report to date, the total being \$647,850,601. Compared with the nearest corresponding date in 1919 this was an increase of \$168,705,165, representing an expansion of loans of over thirty-five per cent during the year. From April to November, 1920, there was a decline of \$7,814,576 in loans. In the meantime deposits had fallen from \$705,487,819 to \$620,861,010, a drop of \$83,626,809, or over ten times the reduction which had taken place in loans. Since that time liquidation has continued, loans on March 22, 1921, being \$616,993,214, or \$30,857,386, below the corresponding date in 1920 at which time they had stood at the maximum. Deposits still continued to decline more rapidly than loans, but after November the liquidation of the two proceeded at a more nearly equal rate. On March 22nd the deposits were \$586,079,164, this being \$119,408,654 below the high mark of one year earlier.

To meet such an unusual demand by depositors the banks were compelled to increase materially their bills payable and rediscounts. On April 2, 1920, this item in the consolidated statement was \$36,776,367, which was slightly more than double what it had been a year earlier. This figure mounted rapidly during 1920, reaching a maximum of \$80,143,951 on December 31st. The March, 1921, statement shows that the banks had somewhat improved their position in this respect. The average percentage of reserve in all State and savings banks was 16.7 per cent on April 2, 1920, 12.5 per cent on November 3rd, and 13.4 per cent on March 22, 1921. Taken as a whole, therefore, the reserve position of the banks was fairly well sustained, a thing which would seemingly have been quite impossible without liberal resort to rediscounting operations.

The data given are for State and savings banks, of which

only 80 out of over 1300 were members of the Federal reserve system. Data for the national banks covering the same period are not available to the writer, but data concerning total rediscounts with the Federal reserve bank indicate that somewhat similar results would be shown by including them. Since all of the national banks are members of the Federal reserve system, it was to them that the rediscount privilege proved of most direct benefit. But the rediscounts secured by Iowa banks from their correspondents in Chicago, New York, and other financial centers, were practically all made with members of the Federal reserve system. They made these advances much more freely because they were able to look to the Federal reserve bank in their district for assistance. Indirectly, therefore, the non-member banks were securing help from the Federal reserve system.

The direct service of the Federal Reserve Bank of Chicago in rediscounting paper for Iowa banks is shown by data of the rediscounts on representative dates. During the months following the war when war borrowing was still the dominant reason for advances by the Federal reserve banks, the loans to Iowa member banks by the Federal Reserve Bank of Chicago reached a high point in May, 1919, of only \$32,000,000. A year later the figure was \$65,000,000. During the summer of 1920 the amount was reduced somewhat; but in the fall it mounted steadily, reaching \$91,000,000 in November, 1920, and \$97,000,000 in January, 1921. On April 8, 1921, it was reported that of the 457 Iowa members of the Federal reserve system 375 banks were borrowing. The records on that date showed outstanding loans by the Federal Reserve Bank with Iowa banks of \$75,000,000. The basic line for the Iowa banks was then \$36,000,000; the excess was, therefore, more than one hundred per cent. Three hundred and twelve of the borrowing banks were reported to be over their basic loaning line, some of

them as much as fifteen times. By an amendment of the Federal Reserve Act of April 13, 1920, the Federal reserve banks were authorized with the approval of the Board to establish graduated rates of discount. These progressive rates could be assessed only against amounts discounted in excess of the basic line. Four of the Federal reserve banks applied these super-rates, but the Chicago bank maintained uniform rates on all rediscounts.

In spite of these large rediscounts by Iowa banks, the idea has persisted that the reserve system has not served the needs of the farmer. In order to promote a better mutual understanding between the farmers, the Iowa bankers, and the officials of the Federal Reserve Bank of Chicago, four farmer-banker conferences were arranged by the Federal Reserve Committee of the Iowa Bankers Association. These conferences were held in different sections of the State during November, 1920. Executive officers of the Federal Reserve Bank of Chicago attended each of these conferences. In the estimation of the committee, they "served immeasurably in bridging a difficult situation; because they not only corrected the viewpoint of the farmer, but also the officials of the Federal Reserve Bank on just the circumstances under which the Iowa banker was working."

In the spring of 1921 the officials of the Federal Reserve Bank appeared anxious to press liquidation somewhat more rapidly. But at that time further liquidation appeared to the Iowa bankers to be quite impracticable. A conference was, therefore, held on April 8th in Chicago by L. A. Andrew, President of the Iowa Bankers Association, and M. V. Henderson, Jr., State Superintendent of Banking, with the executive officers of the Federal Reserve Bank. The result of the conference was an understanding that conservatively managed Iowa banks would be granted the credit absolutely needed. Unsound practices were to be

severely censured. Mr. Andrew expressed himself in his report on the conference as surprised at the extent to which the Federal Reserve Board had gone to take care of the Iowa situation.⁴⁹²

ADVANTAGES AND DISADVANTAGES OF STATE BANK MEMBERSHIP

One of the advantages that membership in the Federal reserve system brings to the State banks of Iowa is lower reserve requirements. Under the Iowa law State and savings banks located in towns of less than 3000 population must keep a cash reserve of fifteen per cent of their sight and demand deposits and eight per cent of the savings deposits and certificates of indebtedness. For towns above 3000 population the proportions are twenty and eight per cent respectively. Of this reserve, eighty-five per cent may be kept in other banks under State or national law.

By an amendment to the State law in 1919 State bank members of the Federal reserve system were permitted to conform their reserve requirements to those of the national bank members.⁴⁹³ The reserve requirement for the Federal reserve system is seven per cent of the demand and three per cent of the time deposits for all the banks of Iowa with the exception of those banks located in the reserve cities of Cedar Rapids, Des Moines, Dubuque, and Sioux City, in which the percentages are ten per cent on the demand deposits and three per cent for time deposits. All of this prescribed reserve must be kept in the Federal Reserve Bank at Chicago. Moreover, this reserve balance need not be inactive, but may be drawn against in precisely the same manner as a balance with any correspondent. The average daily balance over a weekly or semi-monthly period, however, must equal an amount representing the percentages applicable to the bank in question. The cash-in-bank reserve of the member banks is left optional with them.

If the percentage of cash which the Iowa law requires a bank to keep on hand represents an adequate supply, membership in the Federal reserve system would reduce by one-half the legal reserves of Iowa banks. The concentration of reserves in the Federal reserve banks makes possible this reduction in reserves with a gain in strength for the system as a whole.

A second advantage is the rediscount privilege which is open only to member banks. The degree to which State banks will value this opportunity depends on the demand for loans in their communities and the amount of eligible paper which they carry. Even a non-borrowing bank can conduct its business with greater confidence if it knows that assistance will be available when necessary. Prior to the passage of the Federal Reserve Act it was regarded as a sign of weakness for a bank to rediscount paper but this is no longer the case. The officers of a savings bank member of the system in the writer's native town bank testify to the value of the rediscount privilege during seasons of exceptional demand on the country bank for loans. Bankers generally are finding a larger proportion of paper eligible for rediscount than they thought would be the case. During the year 1918 three hundred and thirty-three Iowa banks rediscounted \$385,191,839 worth of paper. This shows that at least three-fourths of the Iowa member banks had found this privilege valuable even before the period of crisis.⁴⁹⁴

A third advantage which State and savings banks may gain from the Federal reserve system is the right to participate in the clearing and collection system inaugurated by the Federal Reserve Board. The framers of the Federal Reserve Act had in mind the possibility of applying the principle of the city clearing house to a nation-wide system. This feature was not put into operation, however, when the Federal reserve banks were established in 1914; but after some experience with a "voluntary" system during 1915

and 1916 a country-wide system of clearing checks was made effective on July 15, 1916. Member banks were not required to use the facilities of the clearing plan, but they were required to remit without deduction for checks on themselves sent for collection by the Federal reserve banks. By an amendment passed on June 21, 1917, non-member banks or trust companies, which would maintain a clearing account with the Federal Reserve Bank, were allowed to participate in the clearing system.⁴⁹⁵ The cost of operating the clearing system was at first borne by the banks using its facilities; but beginning with July 1, 1918, all service charges were abolished.

With these extensions of the service and elimination of expense the volume of clearings materially increased. The average number of items handled daily by all of the Federal reserve banks in 1917 was approximately 276,000; during the period from October 15th to November 15, 1918, the daily average was 828,000. The Federal reserve banks at present receive at par, from member and clearing member banks, checks on all member banks and other banks whose checks can be collected at par. By means of the gold-settlement fund at Washington, inter-district clearings are also affected. In this way member banks have exchange facilities throughout the entire country and are enabled to keep smaller balances with correspondent banks at various points.

For some time the service of the clearing system was hampered by the lack of coöperation on the part of non-member banks. Checks on banks making exchange or collection charges could not be cleared or collected through Federal reserve banks. This clearing system will not, therefore, be able to function fully until checks on every bank in the country can be collected at par. By the end of 1918 all of the banks in the Boston and New York districts were on the par list. In the Chicago district there were

1334 member banks and 2392 non-member banks on the par list as of December 15, 1918. Non-member banks not remitting at par numbered 1805. In order to reduce the number of banks in the latter class, personal representatives of the Federal Reserve Bank of Chicago visited the non-par banks of the district during 1919. In Iowa they were so successful in reducing the number of non-par banks that before January 1, 1920, the entire State was listed as par territory. Non-member banks have not found it of real advantage to maintain a clearing account, and in fact only a very few in the seventh district do so at present.

The reason for the refusal of some banks to remit at par was that they would lose thereby the profit which they had been accustomed to receive from their exchange charges. They have argued in the past that these charges were based on what it would cost them if they were to ship currency. To combat this argument the Federal reserve banks agreed, after October 1, 1918, to absorb the cost of postage, expressage, insurance, and other expenses when shipments of currency are needed. Stamped letters are also enclosed with collection letters for return remittances. With the facilities for making remittances furnished at present by the Federal reserve banks, there seems to be no longer any valid argument for a bank refusing to remit on its checks at par.

The exchange charging banks, nevertheless, have strenuously opposed the efforts of the Federal reserve banks to establish a universal system of par collections. When banks refused to remit for their checks without deduction for exchange, the Federal reserve banks arranged to collect their checks directly through an agent. On January 21, 1920, the Federal Reserve Bank of Chicago reported that seven Iowa banks were being collected through the express company and two through agents. The opposition of some Iowa bankers has been very decided, but on the whole such

opposition has not equalled that of other sections of the country. It appears that the competition among bankers had already largely eliminated the practice of charging exchange.

In response to the protest from State chartered banks, the legislative committee of the Iowa Bankers Association took up the matter in the fall of 1919. It was found that only about 224 banks were not paying their checks at par when presented by the Federal Reserve Bank. In order to give the bankers who were opposed to par remittance an opportunity for organized opposition to the action of the Federal Reserve Board, a letter was sent by the committee suggesting that a meeting be called for this purpose. Only seventy-nine answers were received, and of those replying forty-eight stated that they would try to attend such a meeting if called. Owing to this very apparent lack of interest the committee concluded that it was not justified in calling the meeting. Nevertheless three State bankers attended a national conference in Washington early in May, 1920, called by the National and State Bankers Protective Association. The purpose of this conference was to bring the matter before Congress in an effort to secure protective legislation. No immediate results were secured.

In addition to individual checks, collection items, clearing-house notes and bills and miscellaneous drafts are also handled for the banks. These were subject to a service charge of ten cents per item until July 1, 1918, when the Chicago Reserve Bank suspended the service charge in order to stimulate interest in this feature of the collection system. During the six months ending December 31, 1918, the Bank handled an average of twenty-two items of this class per day for the Iowa banks.⁴⁹⁶

Further advantages of membership to State banks are that the capital stock is a tax-free, six per cent investment; membership adds prestige; and government deposits, with

the exception of postal savings deposits, are made in normal times only in member banks.⁴⁹⁷

Disadvantages of State bank membership have practically all been eliminated by amendments to the act since 1914. The right of State banks to withdraw upon six months written notice has been definitely established. State banks are allowed to retain full statutory or charter rights as State banks or trust companies, even to the extent of being released from restrictions of section eight of the Clayton Act, which relates to joint directorship.⁴⁹⁸ They may carry loans for a single individual which would be "excessive" for a national bank member, the only restrictions being the State law and the prohibition on the right to rediscount that individual's paper with the Federal Reserve Bank.

State bankers frequently object to becoming members of the Federal reserve system because they would lose thereby the interest on their reserve account. City banks have customarily allowed their country correspondents a low rate of interest on the average balance carried. The Federal reserve banks, on the other hand, do not pay any interest on balances kept with them. If they should pay interest, they would be obliged to keep a large proportion of their funds employed in productive investments. This would impair their strength as reserve institutions and force them into competition with member banks. The large earnings of the Federal reserve banks in 1918, 1919, and 1920 have been responsible for a renewal of the agitation for interest on reserve balances, but no change has been made. Lower reserve requirements offset in some degree the loss of interest; nevertheless, this objection has had considerable weight with most country bankers.

Moreover, there are certain services which the city correspondent renders to the country banker which the Federal reserve banks are not in a position to duplicate. Many Iowa bankers have manifested an unwillingness to transfer their

reserve account away from established connections and in so doing break up valuable business relationships of long standing. They realize, too, that many of the advantages of membership can be secured indirectly through the city correspondent.

The capital stock requirement is a definite obstacle to membership in the way of many State banks which might otherwise join the system. The State bank members are required to meet the same standards as those prescribed for national banks. This of itself would bar hundreds of Iowa banks, especially of the savings bank group, from entering.

NEW POWERS GRANTED TO NATIONAL BANKS

The extension to the State chartered banks of the rights and privileges of membership in the Federal reserve system necessitated modifications in the direction of greater freedom and scope for the national banks. Note issue is a much less valuable privilege, since the Federal reserve banks will probably supply all of the need for further expansion of bank notes. More liberal provisions as to maximum loans to an individual, real estate loans, trust company powers, and savings deposit business were needed in the national banking law, if the national banks were to find it advantageous to retain their national charters and new banks were to incorporate under the national banking law.

Since the State bank members can not rediscount paper of an individual whose borrowings aggregate over ten per cent of the capital and surplus of the bank, it was not deemed necessary to make any change in this feature of the national banking law. In regard to the loans on real estate, the act as amended on September 7, 1916, provides that national banks may loan on improved and unencumbered farm land within its Federal reserve district, or within one hundred miles of the bank irrespective of district lines. The limit of the loan was placed at one-half the value of the land,

and the time limit at not over five years. On real estate as distinguished from farm land the distance limit is one hundred miles, the time limit one year, and the value limit is again fifty per cent. The maximum amount of such loans by any bank is fixed at twenty-five per cent of its capital and surplus or one-third of its time deposits.⁴⁹⁹

Trust company powers were valuable privileges which had been extended to all State chartered banks by the General Assembly of Iowa in 1913. Among the powers conferred upon the Federal Reserve Board by the Federal Reserve Act is the authority to "grant by special permit to national banks applying therefor, when not in contravention of State or local law, the right to act as trustee, executor, administrator, or registrar of stocks and bonds under such rules and regulations as the said board may prescribe."⁵⁰⁰

In 1915 the General Assembly of Iowa granted authority to any national bank, when authorized by the United States law, to act in a fiduciary capacity and to carry on a safe deposit business.⁵⁰¹ By this act trust companies, State, savings, and national banks were all placed on an equality in their trust company powers. The validity of the Federal act granting powers to the national banks was challenged in two or more States, where suits were instituted to test its constitutionality.⁵⁰² On June 11, 1917, the United States Supreme Court handed down a decision reversing the decision of the Michigan court in the case of *Bank v. Fellows*. By this decision the Supreme Court sustained the right of Congress to grant to national banks the trust company powers enumerated in Section 11 (k) of the Federal Reserve Act. Moreover it recognized the right of Congress to modify the law so as to enable national banks to meet the competition of State chartered banks.⁵⁰³

The policy of the Federal Reserve Board regarding the granting of trust company powers has been very conservative. Permits are granted only after careful examination of

the fitness of the bank to exercise fiduciary functions. By the end of 1917, thirty-four national banks in Iowa had been granted permits to exercise trust company powers; five more were added to the list in 1918, fifteen in 1919, and eleven in 1920.⁵⁰⁴

In order to clear up doubt as to the authority of the Board to bring about a more thorough coördination of banking powers as between State and Federal institutions, an amendment was passed on September 26, 1918, to Section 11 (k) of the act, enlarging the fiduciary power which may be granted to national banks so as to include authority to act "as guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations, which come into competition with national banks, are permitted to act under the laws of the State in which the national bank is located."⁵⁰⁵

Savings accounts in national banks were encouraged by the lowering of reserve requirements against this class of deposits. By the terms of the act in 1913 a reserve of five per cent only was required against time deposits. The definition of this class of deposits was that "time deposits shall comprise all deposits payable after thirty days, all savings accounts and certificates of deposit which are subject to not less than thirty days' notice before payment". Postal savings deposits were included in this class in 1917 and the required reserve reduced to three per cent.⁵⁰⁶ Legitimate savings business is now more profitable for national banks than formerly. Coupled with the lower reserve requirement is the right to invest one-third of all time deposits in approved loans secured by real estate. The national banks were given the additional power by the Federal Reserve Act, when located in towns having a population of 5000 or less, to act as insurance agent or as agent for real estate loans.⁵⁰⁷

INFLUENCE ON IOWA BANKING

The result of the changes brought about by the Federal reserve system in Iowa is to eliminate many of the differences between commercial banks of whatever name. In so far as a banking institution engages primarily in a savings bank business, or an investment business, or in the exercise of trust company powers, it will be outside the range of banks affected by the Federal reserve system. The commercial banks of the State have been unified in function and method. Not only member banks but non-member banks have been affected, especially through the operations of the Federal reserve clearing system. Moreover, in the matter of rediscounts and borrowings the non-member bank also feels the influence of the new banks. The Federal reserve system provides a market for commercial paper. Through the city correspondent, who is a member of the system, the country banker may share the rediscount privilege. The published discount rates of the Federal reserve banks have brought about a greater degree of uniformity in discount rates.

The introduction of trade and bank acceptances will do much to modify banking practice. In 1913 national banks were granted the right to accept drafts or bills of exchange drawn upon them, having not more than six months to run. At that time bank acceptances were limited to bills of exchange based upon the importation or exportation of goods, but by subsequent amendment bills or drafts growing out of domestic transactions were also included. In 1919 the State, savings banks, and trust companies of Iowa were also authorized to accept drafts. Federal reserve banks may rediscount these bankers' acceptances or purchase the same in the open market. The banker's acceptance has long been a familiar credit instrument in Europe, but it was little used in America until the establishment of the Federal reserve system.⁵⁰⁸

Financial leadership of the Federal reserve system and its unifying influence upon the banking machinery of the country has been shown in the way the emergency of war financing has been met. When the Federal Reserve Act was passed it superseded the temporary Aldrich-Vreeland Act which was to expire by limitation on June 30, 1914. The framers of the Federal Reserve Act, however, not wishing to leave the banks without the possibility of issuing emergency currency in case the new act was not in readiness for operation by June 30th, reenacted certain of its provisions and extended them one year.⁵⁰⁹ Fortunate indeed was it that this precaution was taken, although few of its sponsors could have foreseen the emergency that was to make it useful. The outbreak of the World War in Europe came just at the time when the Federal reserve system was being organized. In the strain of the readjustment of international finance heavy demands were made on the banks of the country. The emergency currency authorized under the Aldrich-Vreeland Act filled the gap until the Federal reserve banks could be put into operation.

The Aldrich-Vreeland Act as amended, provided for the formation of national currency associations. In Iowa such an association was formed and issued to the national banks of the State over \$3,000,000 of currency early in the fall of 1914. This was especially needed in counties where the live stock quarantine, due to the foot and mouth disease, was enforced.⁵¹⁰

On November 16, 1914, the Federal reserve banks began actual operations. They were organized too late to assist in meeting the first shock of the European war but the Federal Reserve Board had been appointed earlier and had assumed a position of leadership in the first stages of financial readjustment. As the months passed and war between the United States and Germany seemed imminent, the Board directed the policy of the Federal reserve system so that it

might be prepared to meet the financial problems of the war. When the United States finally entered the war in April, 1917, the Federal reserve banks were in excellent condition with vast stores of gold and surplus reserves with which to extend credit wherever needed.

The new functions performed by the Federal reserve banks during the war brought them into intimate contact with all the banks in their districts. As a means of advertising the services of the Federal reserve system, the war accomplished in a few months what would normally have taken years. It would seem that the system has so amply justified its place as the centralizing factor in American banking as to warrant all eligible State banks in entering.

XI

BUILDING AND LOAN ASSOCIATIONS

The *Code of 1897* defines institutions treated under the general title of "Building and Loan Associations" as, "corporations organized for the purpose of furnishing money to their members upon sufficient security". As implied by this definition the purpose of building and loan associations is primarily to serve the borrower, usually a home builder or purchaser. They are allowed to receive deposits but must issue shares of stock for the same. Borrowers are also required to take out shares having a maturity value equal to the amount of the loan. This being the case, building and loan associations are strictly coöperative institutions. Technically they are not banks, being prohibited by statute from transacting a banking business. They are, however, important and successful financial institutions, supplementing and being closely connected with banking activities, under special State regulation which makes it necessary to give them some consideration in this study.⁵¹¹

ORIGIN AND GROWTH OF THE BUILDING AND LOAN MOVEMENT

Building and loan and savings and loan associations existed in England as early as 1789, the earliest association of which we have a full account being the Union Building Association of Greenwich, England, established in January, 1809. Its purpose was to raise funds by monthly subscriptions to be expended in building houses. Each share in this association represented a house built under the direct supervision of the society. When houses were furnished they were distributed among the members by lot. A member successful in the drawing was compelled to give satisfactory security, continue payments on his share, and pay five per

cent interest to the society until all had secured homes.⁵¹²

The first association in the United States was organized at Frankford—then a suburb of Philadelphia, Pennsylvania, but now incorporated in the city—on January 3, 1831, under the name of the “Oxford Provident Building Association”. It followed the English models in general principles, and its organization was probably due to the efforts of English workmen. A few years later associations were formed in Brooklyn and Baltimore. Soon they spread somewhat generally throughout the country. In Massachusetts the building and loan associations are known as co-operative banks; in Louisiana they are called homestead associations.

The first comprehensive report of the development of the movement in the United States made by the Department of Labor in 1893, shows that the period of most rapid growth in number of associations was during the decade 1880-1890. The total number of associations in 1893 was 5838. This number increased slightly in the following years, being 5975 in 1896. Then followed a period of steady decrease in numbers, the total at the time of the next report in 1903 being 5350. This was accompanied by a decline also in total assets from \$651,544,641 in 1896 to \$599,550,855 in 1903. The years since 1903 have witnessed a slow growth in the number of associations but a remarkable increase in financial importance.⁵¹³ In 1918 the total assets of the 7484 associations in America were \$1,898,344,346, while the members numbered 4,011,401. In number of members and total assets of associations, Pennsylvania and Ohio are well in the lead of the other States, followed by New Jersey, Massachusetts, Illinois, New York, and Indiana. Iowa ranked nineteenth in 1918, but there was a decided difference between the leading States and those rating near Iowa in the list. Ohio had 723 associations with assets of \$359,559,538; while Iowa had only 57 associations with assets of \$12,385,755.⁵¹⁴

No legislation concerning building and loan associations was enacted in Iowa until 1872, and the law at that time merely authorized the incorporation of coöperative and mutual loan associations and permitted them to carry on their business under the general incorporation law. The usury law was held not to apply to the cost of loans made by the associations, which might include premiums and fines; but they were limited for current expenses to ten per cent of the earnings. The remainder of the earnings must be placed to the credit of shareholders. No reports were called for or further supervision provided.⁵¹⁵ This statute remained as the only legislative provision until 1896 when comprehensive regulations were enacted and all such associations were required to report annually to the State Auditor.⁵¹⁶ Beginning with 1897, therefore, the official records are complete; while for the period before that time continuous statistics can not be secured. Meantime, the greatest development of the movement had taken place. The Auditor's report in 1897 listed 117 associations—the largest number that has ever been reported.⁵¹⁷

According to a study published by the United States Commissioner of Labor in 1893 the oldest association then in existence in Iowa was the Perpetual Building Association of Clinton, which was organized on January 1, 1870. The second oldest was the Keokuk Loan and Building Association, the date of its organization being March, 1872. This association still continues under the same name and is the oldest Iowa association now in existence. The Perpetual and two other Clinton associations formed in 1873 have since been discontinued, leaving as the second oldest the Perpetual Savings and Loan Association of Cedar Rapids founded on January 19, 1875, which in 1918 was also the largest association in Iowa.⁵¹⁸

By 1893 eighty-nine associations were in operation in Iowa. Two of these had been formed before 1873; nine, in

the five years following; twelve, from 1879 to 1882; twenty-four, in the next five years; and forty-two, from 1888 to 1893.⁵¹⁹ Comparing these statistics with the Auditor's figures three years later, it is evident that the period of greatest growth occurred in the late eighties and early nineties. Table IX shows the steady decline in number of associations after the law placed them under the Auditor's supervision in 1896.

TABLE IX

NUMBER OF BUILDING AND LOAN ASSOCIATIONS IN IOWA, 1896-1918 ⁵²⁰				
YEAR	TOTAL NUMBER	DOMESTIC-LOCAL	DOMESTIC	FOREIGN
1896	117	87	29	1
1898	108	79	28	1
1900	88	63	24	1
1902	72	55	17	
1904	60	52	8	
1905	57	46	11	
1907	48	43	5	
1909	49	45	4	
1911	47	46	1	
1913	50	50		
1915	50	50		
1917	54	54		
1918	57	57		

The numbers given are those reporting to the Auditor as of December 31st in each year. The total assets of the 117 associations in 1896 were \$12,565,465. With the decline of numbers the assets also declined to \$5,656,569 in 1902. Thereafter for ten years the Auditor's reports do not give a record of the total assets. In 1913 the total had recovered to \$7,367,344 in spite of the further decline in number of associations. By the end of 1918 the number of associations had increased only seven, but the total assets had grown to \$12,385,755, or almost seventy per cent in five years.

TYPES OF ASSOCIATIONS

Two general types of associations have been distinguished—local and national. Their business has been conducted under substantially similar methods, but the field of operation is far different. The local association confines its business to a small community, usually the city or county in which it is located; the national association is ready to make its loans on property anywhere or sell its shares to anyone without regard to his residence. Numerically and financially the local associations have always been far more important. In 1893, when the United States Commissioner of Labor made the first comprehensive report on building and loan associations covering the entire country, 5598 local associations were reported, as compared to 240 national organizations. The average size of the national associations was considerably greater, the average number of shareholders per association being 1637.1 as compared to 244.5 per local association.⁵²¹

The leaders of the building and loan association movement have always insisted that the proper field of operations is a strictly local one. Judge Seymour Dexter, an authority on the subject, stated his views in an address before the annual meeting of the United States League of Local Building and Loan Associations held at Cleveland in 1895 as follows:

In my own thoughts and ideas, the building and loan association is a local institution, and the principles on which it is founded do not admit of unlimited extension. The unparalleled success of these associations in the past has been largely due to the fact that they were local and neighborhood institutions, and comparatively small in the aggregation of capital in each. The moment these associations become extended in the conduct of their business over large territory, that moment many of the elements of safety involved in the local association methods are necessarily eliminated, and dangerous ones substituted in their place. They are no longer genuine

building and loan associations because no longer conducted on the methods on which these associations have won their success and grown into fame.

These principles of the true building and loan association, to which Judge Dexter refers, he set forth in another address and included officers willing to serve for the good of the association; shareholders in a position to know what the association is doing and upon what securities their money is being invested; and shareholders in a position to attend meetings and vote in person for officers of their own choice. He held that all these elements are lacking in a national association, and into such a field many scheming and dishonest individuals would enter unless legally restrained.⁵²²

In the survey made by the Commissioner of Labor in 1893, Iowa is credited with eighty-one local and eight national associations. When the present legal classification was adopted in 1896 three types of association were recognized by the statutes: domestic-local associations, whose business is confined to the county wherein is situated the town or city which is the principal place of business; domestic associations, which may operate anywhere within the State or in other States; and foreign associations, which are those incorporated under the laws of another State.⁵²³

At the time of the last published report all of the Iowa associations were of the domestic-local type.⁵²⁴ When the first annual reports were made to the Auditor in 1897 there were eighty-seven domestic-local, twenty-nine domestic, and one foreign association operating in Iowa.⁵²⁵ Of these the twenty-nine domestic associations might in practice have operated as local associations, but undoubtedly many were of the national type. At about this time the prejudice against national associations led the various States to enact stringent restrictions against foreign associations. Nebraska claims the honor of being the first State to pass a law to exclude national associations.⁵²⁶ This legislation was

directed principally against Iowa and Minnesota companies which by their methods had caused Omaha people to lose confidence in building associations, many of them having lost money through the national associations. The Iowa associations centered in Des Moines, and because of their methods they made the name building and loan "a by-word" in that city. So true was this statement that Des Moines was unable to organize a local of the true co-operative type until 1916.⁵²⁷

The Iowa legislation of 1896 was very drastic in restricting the operations of associations of this type. For some years there was a marked falling off in number and strength of these institutions, but the movement was purified and strengthened and is once more growing in strength and public favor. The special regulations applying to the foreign associations included a requirement that these associations deposit with the Auditor of State \$100,000 in bonds or other securities for the protection of resident shareholders. They were further required to furnish the Executive Council with a copy of the articles of incorporation and by-laws, a certified copy of the State laws under which they were organized, and a report for the preceding year showing their condition in detail. Foreign associations were required to allow legal processes to be served by mail at the home office. Amendments to articles of incorporation or by-laws must be filed within ten days after adoption. Fees were much heavier than for the local organizations. They were required to pay \$100 for the application to do business; \$50 for the certificate of authority and its annual renewal; and from \$3 to \$50, according to assets, for filing the annual statement. When fees imposed by other States on Iowa associations exceeded the Iowa fees, the fees in Iowa were to be increased thereto for associations chartered in those States. A fee of \$25 for the certificate of authority and each renewal and \$10 for filing each annual statement

was imposed on domestic associations. The only fee imposed on domestic-local associations was \$5 for filing each annual statement.⁵²⁸ In 1900 foreign companies were prohibited from doing business in Iowa unless the laws under which they were incorporated were in substantial agreement with the Iowa laws and afforded equal protection to shareholders.⁵²⁹ These restrictions and public dissatisfaction with their methods drove national associations from Iowa.

MEMBERSHIP IN ASSOCIATIONS

Any number of persons, not less than five, may now be incorporated as a building and loan or savings and loan association under the general incorporation laws of the State. The capital named is known as the authorized capital, and the association is allowed to commence business as soon as one hundred shares thereof have been subscribed, provided the other features of the law have been complied with. Stock is either installment or fully paid. The original payment on installment stock may be as low as fifty cents; hence an association may begin business with a very small amount of paid in capital. Usually the incorporators name a capital far in excess of the immediate needs of the business. For instance, one Waterloo association with assets of \$750,000 has an authorized capital of \$15,000,000. The maximum amount of stock which can be issued to one individual is \$10,000 par value except that any association having assets of more than \$1,000,000 may issue to one person stock not in excess of one per cent of its assets. Since borrowers are limited by the stock they must buy, this limits the amount of the maximum loan as well as the maximum deposit.⁵³⁰

Members of building and loan associations are of two classes—depositing members and borrowing members. In the earlier associations all members expected at some time

to be borrowers. It is still true that many persons who are at any given time depositing members expect eventually to use the association as a source from which to borrow. There are, however, a considerable number of shareholders who are strictly depositing members. Building and loan associations are mutual or coöperative institutions. No stockholder receives special returns or carries special responsibility in case of loss. All investors receive shares of stock rather than certificates of deposit. Shares of depositing members may be fully paid or bought on the installment plan. In 1893 about twenty-six per cent of all shareholders in Iowa associations were borrowers. In the local associations approximately thirty-four per cent of the members were borrowers; in the national associations of Iowa only about fourteen per cent of the members were borrowers. This points to one weakness of the national type of association: it was not devised to serve the borrower, but was promoted rather as an investment proposition. Only a small proportion of the Iowa members own fully paid stock; on January 1, 1918, the Iowa associations were liable to members for \$10,202,639 paid on installment stock, while fully paid stock was credited with only \$463,496.⁵³¹

PLANS FOR ISSUING SHARES

Three plans for issuing shares have been used. In the order of historical development these are the terminating, the serial, and the permanent (or Dayton) plans. The earliest associations were composed of groups of men desirous of building homes and did not include those who were strictly depositing members. Under the terminating plan a certain limited number of shares were issued in a single series. The life of the association was limited to the time it took the shares to reach their matured value. Persons entering after the date of the first issue must pay back dues. Frequently as the shares progressed toward maturity it

became difficult to get all the money loaned. In some cases the associations resorted to forced loans. The serious defects of this plan were: first, the dissolution of the association when the stock matured; second, the large amount of back dues which must be paid by a new stockholder; and third, the necessity of making forced loans.

The serial plan was then developed to meet these obvious defects. Under this plan a new series was started at regular intervals. In this way the association became perpetual, back dues were made small, and usually there were no forced loans. Ordinarily the series were conducted separately, amounting in effect to so many terminating associations. This proved a cumbersome and in some ways unsatisfactory method. It made necessary unvaried payments when frequently a member's circumstances would change greatly during the years. He had no inducement to pay more rapidly, but was fined for delay. In most serial associations withdrawal of shares at maturity has been required. This involves loss of members when the money is needed to make loans and requires the expensive process of collecting a larger sum to meet an entire series in one payment.

The next plan in order of development was the permanent, or Dayton plan. This plan was first adopted by the Mutual Home Association of Dayton, Ohio, in 1875, and was evolved by Judge A. A. Winters.⁵³² Its main features are that new members may be admitted at any time without back dues, and shares may be issued either in installments of fully paid-up. The permanent plan makes unnecessary the assessment of fines or penalties for failure to pay the regular weekly or monthly installments. Experience has shown that most members exceed the regular rate of payment. Dividends are computed on the amount each member has actually paid in, and earnings are credited to the stockholders semi-annually. The association may lay aside a certain percentage of the profits each year as a contingent

fund or reserve to meet losses.⁵³³ When the dividends have been computed and placed to a member's credit he may, if a non-borrower, withdraw the same under the same conditions as his cash payments. Dividends on paid-up shares may be paid to the holder in cash.

In 1893 the division of associations in Iowa according to the plan of issuing shares showed that of the eighty-nine associations fifty-nine were serial, twenty-three were permanent, and seven were terminating.⁵³⁴ The serial plan is still used in Iowa, but not extensively.⁵³⁵ It is worthy of note that while many associations change from the serial to the permanent plan, none change from the permanent to the serial.⁵³⁶

DISTRIBUTION OF PROFITS

Profits of building and loan associations come largely from interest on loans. Formerly the associations added considerable income from premiums, entrance fees, fines, withheld profits of withdrawing members, and other sources which have been largely eliminated in the progressive association. The Iowa law does not specify the manner in which profits shall be distributed beyond requiring that associations shall not issue any forms of preferred or guaranty stock. Fully paid stock, in the certificate of which a maximum rate of dividend may be named, can be issued upon the payment by the holder thereof of the par value of such stock. In no case can the dividend on such a stock exceed eight per cent or the rate of dividend declared upon the other stock of the association. The law permits the apportionment of the net earnings quarterly, semi-annually, or annually.⁵³⁷ The practice of the larger Iowa associations is to declare dividends semi-annually at the end of June and December. From the net earnings of a period the directors first set aside a small percentage of the profits as a contingent fund against losses. The articles of incorporation of

the Perpetual Savings and Loan Association of Cedar Rapids specify that three per cent of the net earnings shall be set aside as a contingent fund. The Waterloo Building and Loan Association sets aside one per cent for such a fund.⁵³⁸ Dividends on installment stock, whether of a depositing or a borrowing member, are credited to the stock, thereby aiding to mature the shares. Where the stock is fully paid the dividends may be withdrawn in cash.

In order to protect shareholders against the possibility of profiteering by officers, the Iowa law limits very rigidly the expenditures for management. A graduated percentage scale of expenses to assets is fixed, beginning with three per cent in case the assets are not in excess of \$100,000 and going down to one per cent for associations with assets in excess of \$1,000,000.⁵³⁹ As a matter of fact the ratio for all associations at the last report was about one and three-tenths per cent.⁵⁴⁰ Even the larger associations have very modest quarters and pay very moderate salaries. It is the opinion of the writer that some of these associations could profitably expend additional amounts for more convenient and attractive locations. People are so accustomed to seeing elaborate buildings for banking and financial institutions that they discount somewhat the importance of an association that is housed in a back room with some other business concern. The limitation of expenses has doubtless been a factor in enabling the associations to pay good dividends. Records available show annual dividends paid by Iowa associations of from six to seven and eight-tenths per cent, distributed semi-annually.⁵⁴¹

From the report of the Commissioner of Labor in 1893 it is seen that the total loss through foreclosure of mortgages during the entire life of the 5440 associations then reporting was less than \$500,000.⁵⁴² With the added experience and increased safeguards it is safe to assume that the losses of the associations in existence at the present time are even

smaller than they were for those twenty-five years ago. The experience of many persons in Iowa, however, with badly managed national associations has prejudiced them against the safety of building and loan associations. The facts seem to be that the present local associations are quite as safe as the savings banks. Officers and directors of banks in some cities are connected with the associations and have been influential in promoting them.

WITHDRAWAL OF MEMBERS

In earlier times the withdrawal of members was not permitted by most associations. Failure to complete the payments forfeited all payments as well as all profits; but greater liberality was soon demanded, and under the Dayton or permanent plan of issuing shares this can be readily provided. The Iowa law prescribes that the terms of withdrawal must be such that a member will receive a sum not less than he has paid into the association unless losses have occurred to the association during the time the withdrawing member was a shareholder. In case the losses exceed the profits, or any fund created with which to pay losses, "the withdrawing member shall be charged with his proportionate share of the excess of the losses over the profits, and no more."⁵⁴³

Nothing is said in the State law regarding the disposition of the accumulated profits of the withdrawing member. The regulations regarding withdrawals are usually found in the constitution or by-laws of the association. Some proportion of the profits on shares is often retained, which serves to discourage withdrawals. Notice of withdrawal is usually required, associations reserving the right to ask thirty to sixty days time before payment. Applications are usually acted upon in regular order. If sufficient funds are on hand to permit withdrawal without notice, the association does not take advantage of the provision requiring that notice

be given. Usually only a certain portion of the weekly or monthly receipts of the association may be used to meet the demands of withdrawing members. In the Waterloo and Cedar Rapids associations this amount can not exceed one-half of the receipts of the period.⁵⁴⁴

The methods of crediting profits to withdrawing members vary widely. At the time of the extensive investigation of the building and loan associations made by the Department of Labor in 1893, twelve principal withdrawal plans were found to be in use. Only four per cent of the local associations reporting did not allow any interest or profit to withdrawing shareholders. In about thirty per cent of the associations shareholders received the dues paid in and also all of the accumulated profits. Thirty-one per cent allowed the withdrawing shareholders a fixed rate of interest, usually six per cent on all payments. In the others some arbitrary or graduated scale of allowing profits was found.⁵⁴⁵

At present Iowa associations differ as to the rules for withdrawal. In this respect, as in many others, the practice of the different associations can be determined only by a study of their articles of incorporation and by-laws. The leading cities of the State, in the number and size of their building and loan associations, are Waterloo and Cedar Rapids, the assets of the four associations in the former city aggregating slightly more than those of the three associations in the latter. The combined assets of the seven associations in the two cities were \$6,957,152.81 at the time of the 1918 report. This represented about sixty per cent of the total assets of \$11,659,195.86 reported by all of the Iowa associations. Because of their dominant position and because of their accessibility to the writer, the associations of those cities will be frequently referred to concerning points upon which information is not available for all associations of the State.

The treatment of withdrawing members differs consider-

ably in the different associations. In the largest Iowa association, the Perpetual of Cedar Rapids, the withdrawing members receive all of the installments paid "together with the dividends then standing to the credit of their shares". Members withdrawing immediately after the declaration of the January or July dividends receive all accumulated profits. No earnings are credited for less than a six months period, but members are allowed to borrow ninety per cent of the value of their stock. By making such a loan until the end of the fiscal period they may secure the dividends.⁵⁴⁶ Waterloo associations return all of the installments paid, but graduate the payment of accumulated profits according to the length of time the stock has run. In the Waterloo Building and Loan Association and the Perpetual Building and Loan Association of Waterloo sixty-six and two-thirds per cent of the dividends are paid on stock that has run less than two years; and on stock that has run over two years, withdrawing members may receive all dividends then credited to the stock. In the Home Building and Loan Association of Waterloo a more extensively graduated scale is used. If the stock is under twenty-four months old, sixty per cent of the dividends are allowed; seventy per cent is paid, if the stock is over twenty-four months and under thirty-six months, seventy-five per cent if from thirty-six to sixty months, eighty per cent if over sixty and under ninety months, ninety per cent if over ninety months, but not to exceed seven per cent dividends in any case for the average time the money has been in the hands of the association.⁵⁴⁷

Experience and the opinion of building and loan association officers generally seem to point toward a considerable degree of liberality in the matter of withdrawal of non-borrowing members. Primarily the association is to enable members to become home owners, but it does not seem necessary nor desirable to limit its activities to this single function. Persons may wish to use the association to accumulate

a fund with which to embark in business, to meet some approaching obligation, or as a safe depository where a good rate of interest can be secured. The majority of the members are not borrowers; and while the depositing member must be kept subordinate, there is no reason why depositors should not be welcomed and encouraged. In this way more funds can be secured for loaning purposes and the service of the association can be extended. An effective way to accomplish this purpose is to enable members to withdraw on rather liberal terms. While the stricter terms may prevent unnecessary withdrawal before maturity of the stock, it also discourages many persons from entering because of the difficulty of getting their money when it is needed.

More encouragement could also be given by associations to the purchase of paid-up stock by individuals having money for investment. In this way the association would have the command of more capital. If necessary the paid-up stock can be used as a financial regulator since the State law permits and the articles of incorporation of most associations provide that non-borrowing members may be forced to withdraw upon notice duly given by the directors.⁵⁴⁸ This, however, has not generally been necessary. Except in associations with assets in excess of \$1,000,000 not more than \$10,000 of stock computed at par value can be issued to one person.⁵⁴⁹ As a matter of fact the report of associations having a considerable amount of paid-up stock show that this is not held by capitalists but is usually in small blocks.⁵⁵⁰

PLAN OF MAKING LOANS

Borrowers from a building and loan association are required to buy shares equal in maturing value to the amount of the loan. The loan is allowed to run until the borrower's payments and profits mature the share, when his stock is surrendered and the loan cancelled. It has been urged

against this plan of requiring borrowers to assume a stock liability in addition to a mortgage obligation, that this is needlessly burdensome and expensive to the borrower. If losses occur, the value of his stock is reduced. An extreme case might arise where his share of the loss would equal his credit and he would lose the entire amount on his loan to date. This contingency, however, would not be likely to arise in practice.

A more practical disadvantage of this arrangement is the fact that the rate of interest charged the borrower is higher by about one per cent than the dividend on his shares. This amount covers expenses of the business. Where the borrower's credits are applied to the reduction of his debt at each annual or semi-annual distribution, rather than being placed to the credit of his shares of stock, these difficulties are satisfactorily met. The State law in Iowa requires the associations to issue stock to borrowers;⁵⁵¹ at the same time it permits owners of stock to withdraw their stock credits or any part thereof at any time. In this way some of the Iowa associations have met this problem to the borrower's advantage. When the withdrawal value of the shares of any member, borrowing on a real estate mortgage, is sufficient to mature one or more shares of his stock, he may have the amount applied to such shares and thus reduce the amount of his loan as well as the number of shares upon which he makes payment. The practice of such associations is to apply stock credits on loans only in amounts of \$100 or multiples thereof.⁵⁵²

Loans made by Iowa building and loan associations have been secured almost exclusively by real estate or stock of the association. At the time of the investigation by the Department of Labor in 1893 the eighty-nine Iowa associations had about ninety-five per cent of their loans backed by real estate security, four per cent by stock of the association, and one per cent by other securities.⁵⁵³

Under the terms of the law passed in 1896 Iowa associations were limited to loans secured either by real estate mortgages or by their own shares of stock. Real estate loans were required to be secured by a first mortgage, or by a second mortgage in case the association also held the first mortgage. Loans on stock might not exceed ninety per cent of the withdrawal value.⁵⁵⁴ The law did not place a limit on the percentage of appraised value of the real estate on which an association might loan, but it did require that all of the terms of making loans be stated in the articles of incorporation and by-laws of the association. The Cedar Rapids associations may loan not to exceed two-thirds of the appraised value of the realty, while the Waterloo associations are limited to sixty-five per cent of the appraised value.⁵⁵⁵ In 1918 the reports of associations submitted to the Auditor show a total of loans secured by real estate aggregating \$11,122,909 and stock loans of \$98,605.⁵⁵⁶

Appraisement of the real estate is a very important duty of the directors of the association. The plan followed in the Iowa associations may be briefly described. When a member applies for a loan the president appoints an appraisal committee of three from the members of the board of directors. They are required to examine the property, appraise its value, and state in writing whether or not the loan applied for thereon is desirable. The board of directors then decides whether or not the loan shall be made. Care is exercised to place loans in such a way as to avoid loss or expense and delay due to foreclosures. The borrower is required to pay the costs of making the loan. This includes the appraisers' fee (about \$1.50), cost of abstract, expense of making note and mortgage, and the recording of the latter. Aside from the expenses incurred in making the loans, Iowa associations are prohibited by law from charging more than eight per cent per annum. Moreover the rate of interest charged, under whatever name, must

be the same to all borrowers. This even involves making any new rate, if lower than the prescribed rate, apply equally to all who have theretofore borrowed.⁵⁵⁷

REPAYMENT OF LOANS

Formerly a very rigid plan of repayment of loans existed. Borrowers were fined for failure to make regular payments and were not encouraged to pay out more rapidly than the fixed rate. At present the practice concerning fines varies in different States. Ohio leads in having practically abolished fines; Massachusetts and Pennsylvania use fines for the purpose of promoting regularity of payment.⁵⁵⁸ The law in Iowa permits the imposition of fines for delinquency not to exceed three cents per \$100 share for the first month's delinquency and five cents per share for each succeeding month's delinquency. These fines, however, must come out of the member's profits and can not reduce the withdrawal value of any share below the amount actually paid in.⁵⁵⁹ It is generally recognized as desirable to retain the right to impose fines in cases of mere negligence or carelessness; but nearly one-half of the Iowa associations, including the largest ones in the State, do not show any receipts from this source in their 1918 reports. The total of fines collected during 1917 by all of the Iowa associations was only \$3856; and in 1915 only \$1952 were collected in fines.⁵⁶⁰

In case the borrower does not meet his interest payments, the mortgage on his property may be foreclosed under terms prescribed in the by-laws of the association. The associations allow about three months delinquency before foreclosure proceedings are instituted. By the terms of the Iowa statutes the mortgagor can not be charged more than the agreed rate of interest, never in excess of eight per cent. He must be credited with all payments and a legitimate share of the earnings of the association. In any case where

suit is brought for an excessive amount, the costs may, in the discretion of the court, be taxed to the plaintiff.⁵⁶¹

Repayment of loans in the building and loan associations is accomplished by paying out on shares of stock on an installment basis. A typical loan of \$1000 would require the purchase of ten shares of stock at \$100 each. Assuming an interest rate of 7.02 per cent, the rate of one of the large associations, the borrower's interest payment would be \$70.20 per year. Stock payments of \$1.50 per week added to the interest payments, which are usually reduced to a monthly or weekly basis also, will discharge the debt in nine and one-half years if the stock earns six per cent dividends. Although the payments are usually figured on a weekly basis, the experience of the association whose figures have just been cited is that the bulk of stockholders pay monthly rather than weekly.⁵⁶²

The advantage of this plan to the home builder with a regular weekly or monthly income lies in the fact that the mortgage fades away gradually, whereas if he takes a straight five year loan, with interest payable annually or semi-annually, the face value of the mortgage is seldom reduced. Accumulation of amounts of \$100 or more to apply on the mortgage are difficult to make. On the other hand, small monthly amounts will be met and the sacrifice will be little felt. Herein lies the chief advantage of the building and loan associations to the borrower. It is true that other agencies make loans on this plan, but individuals or savings banks usually prefer to receive the interest in larger installments and to preserve the principal intact until it is paid off by a few large payments. The building and loan association is prepared to offer this easier and more practical plan of paying for a home. It is pointed out to the prospective borrower, accustomed to paying rent, how by a small addition to his monthly rental payment he can own his home. He is reminded that every dollar spent for rent is

gone forever, but by this plan eventually he has a home of his own. As to the feasibility of the plan there can be no question.

When it comes to a question of cost of repayment of a loan on the above system, there is not so much to be said in favor of the building and loan association. The rates charged in Iowa have been from seven to eight per cent in recent years, somewhat higher than current rates charged by other lenders on similar securities. In fact this is justified by the cost of the service rendered. To handle repayment on the above described plan is costly from the standpoint of office and bookkeeping charges, and this constitutes one of the chief reasons why other institutions do not encourage this type of loan. Again the cost is offset in a measure by the liberal rate of interest earned by the money deposited by the borrower as stock payments. Under the plan followed by some of the Iowa associations the borrower, when the withdrawal value of all of his stock is sufficient to mature one or more shares of his stock, may have this credited directly on his loan. Thereafter his interest on the loan would be less and his liability as a stockholder for losses be reduced.

It must be clearly borne in mind that the actual cost of the loan is the rate of interest paid, not the difference between the rate paid by the borrower and the amount he receives in interest on an exchange transaction. For instance, an association in its advertising shows that the interest payments of the borrower amount to \$666.90 on \$1000 for nine and one-half years and the stock payments \$746.89, making total payments of \$1413.79. The withdrawal value is \$1000 and the cost of the loan is therefore stated to be \$413.79 which for nine and one-half years is 4.35 per cent per year. Actually the loan cost \$666.90 and the deposit is a separate transaction. An illustration will make this point clearer. Suppose A had borrowed the \$1000

from an individual at 7.02 per cent for a nine and one-half year period and at the same time had purchased stock in a building and loan association paying dividends semi-annually of three per cent. At the end of the period he would have a withdrawal value of \$1000 and could apply the same to paying his debt. The cost of the loan is here clearly shown to be the total interest payments of \$666.90. The error in the method referred to is in assuming that the borrower's savings were not worth any interest to him and that what he received as interest was merely a gift. This assumption, however, is commonly made in such tables.⁵⁶³ The loan from an individual or savings bank, if at a lower interest rate, will cost less. However, the nominal interest rate charged is often not the actual cost of a term mortgage. Often a cash commission is charged the borrower in advance and repeated whenever renewal is made, usually every five years. A loan once made with a building and loan association has no further expense attached until the final satisfaction of mortgage.

Making due allowance for commissions, renewal expenses, and other incidental expenses of the term mortgage, it is doubtless true that lower rates can usually be secured from other sources by persons having first-class real estate to offer as security. The rate charged on loans in Waterloo, where four live associations are at the service of borrowers, is eight per cent. In Cedar Rapids the associations charge 7.02 per cent. The newly organized Des Moines and Iowa City associations charge seven per cent.⁵⁶⁴ Straight mortgage loans can be secured in these cities at lower rates; but in spite of the difference the plan is very popular and a large proportion of home buying and building in Waterloo and Cedar Rapids has been financed by this means. The advantage of installment payments is accompanied by the fact that building and loan associations are in a position to loan a somewhat larger amount on the property with safety.

Banks in the larger towns and cities in Iowa are usually unwilling to loan more than from forty to fifty per cent of the value of city real estate.

It appears, however, that high interest charge to borrowers has been one cause of the failure of Iowa associations to keep pace with those of neighboring States. The city of Omaha has six associations, two of which have each larger amounts loaned on real estate than all of the Iowa associations together. These associations have gradually reduced the rate charged borrowers from nine and six-tenths per cent, about fifteen years ago, to six and six-tenths per cent. The Omaha associations have aided in the erection of nine thousand homes during the past fifteen years.⁵⁶⁵ Attracting less necessitous borrowers by a more favorable interest rate has been a factor in popularizing the building and loan movement in Omaha.

LOANS TO FARMERS

A class of loans which might be attracted by lower interest is the farm mortgage loan. Iowa associations have confined their activities to the towns and cities; and loans are not made on farm land or farm homes. In general this has been true of the associations elsewhere, but a considerable advance in the direction of taking care of farm loans is found in other States—notably Ohio. It is also being done by associations in Indiana, Kansas, and Nebraska. The report for Ohio on June 30, 1916, shows that the associations of the State had in force 9843 farm loans, amounting to \$21,621,952.71. The interest rate charged in Ohio is six per cent with no commission added.⁵⁶⁶ Interest is payable semi-annually; loans are made for one, three, or five years. There is a provision for carrying the loans for a longer time when overdue than in the case of city property. Deposits by farmers are in about the same proportion to total deposits as this class of loans is to the total. In other words this adds a

large class of business quite distinct and able to provide the funds for carrying its own class of loans.⁵⁶⁷

In an address before the Iowa Building and Loan League in 1917, K. V. Haymaker of Detroit, Michigan, formerly of Defiance, Ohio, strongly urged Iowa associations to make their privileges available to the farmers of their communities after the manner of the Ohio associations. He clearly pointed out the necessity for adapting the plan to meet the business of farming. Sometimes the assumption has been made that weekly or monthly payments are a vital feature of the building and loan association. He asserted that the only essential is regularity. The period may be made monthly, as in dairying, semi-annually, or annually according to the type of farming. He insisted that the idea of compulsory payments must be dropped, fines abolished, and other changes effected to meet the conditions of farming. If this were done he believed that the field of operations could be greatly widened, as has been the case in Ohio.⁵⁶⁸

The question of the extension of the field of operations of Iowa associations to include farm loans will depend on certain factors. In the first place competition is entirely too keen to make it necessary for Iowa farmers to pay a high interest rate on loans. Insurance companies, mortgage banks, savings banks, investment companies, individual lenders, all look upon Iowa farm mortgages as a most desirable investment. Added to these are the national farm loan associations and joint stock land banks of the Federal farm loan system. At present, rates charged by these companies range from five and one-half per cent up. Terms of repayment are usually rather liberal. In many cases commissions are charged which add somewhat to the net cost of the loan; but even considering these factors, the rates are considerably lower than those granted by building and loan associations to their members. Certainly, as Haymaker has said, the rules of associations would also have to be

adapted to the needs of the farming business. Until the rates and conditions are changed Iowa associations will not find a field for operation in rural credits.

INSURANCE FOR THE PROTECTION OF BORROWERS

A difficult problem which may occasionally confront an association is the necessity for foreclosing on property in cases where the death of the wage earner makes it impossible for a family to continue payments. Ordinarily the association is protected by the security, but the sale of property under foreclosure usually results in serious loss to the family. Associations in some States have met this problem by arranging for special life insurance policies to meet such an emergency. This type of policy is known as a "Diminishing Term Policy". As outlined before the 1917 session of the Iowa Building and Loan League, this plan provides a very cheap form of protection especially adapted for taking care of the balance of payments due the association in the event of the borrower's death. The face value of the policy decreases as payments to the association increase his investment, so that at all times it has a value, in case of the borrower's death, equal to the balance due the building and loan association, if payments to the association have been regularly met. The plan contemplated a lump payment in advance for the entire cost of the policy. For instance, a ten year term policy of this type, age thirty-five, could be paid for by a single gross premium of \$51.59 per \$1000. Payments of \$8.33 per month on the principal of the loan would extinguish the debt in ten years. The insurance policy, therefore, decreases by that much each month. In the event of the borrower's death the mortgage note would be stamped "paid" and the home handed over to the family clear of all debt. If he lived the home would be paid for in the regular course of time, the extra amount added to the original loan not being sufficient to lengthen mater-

ially the time necessary to pay out. In some cases the secretary of the association acts as the agent for the insurance company, but this gives rise to certain complications. In Omaha the building and loan secretary gives a list of borrowers to all insurance companies in the city. Iowa building and loan associations have not yet undertaken to educate the borrowers to the value of life insurance protection.⁵⁶⁹

MANAGEMENT AND CONTROL OF ASSOCIATIONS

The ultimate control of the associations rests in the hands of the shareholders or members. At any election each member has one vote for each \$100 share of stock owned by him. Voting may be by proxy, but no person is allowed to vote over ten per cent of the outstanding shares at the time of the election. The government of an association rests with the board of directors. The number of directors is not specified in the Iowa law, but it is provided that they shall hold office for not less than one nor more than five years. If directors are elected for a longer term than one year there must be annual elections with as nearly as possible an equal number retiring each year. The directors exercise general supervision and direction of all financial affairs of associations, and they elect the officers and have power to suspend them at any time. All loans must be approved by the directors, and they declare the dividends.⁵⁷⁰ Directors are usually allowed a small fee for attending the meetings of the board and compensation for services rendered outside of the meetings. Ordinarily the directors are men of prominence in the business and financial affairs of the community who could scarcely be induced to give their services for the financial reward alone. Unlike the directors of a bank, who are usually the principal stockholders and hence directly interested in the bank's financial success, these men do not profit even from the larger measure of success of the

association. It is largely a public spirited service rewarded only indirectly through the greater prosperity of the community and the welfare of its citizens.

The active executive of the association is the secretary. In the larger associations he gives his full time to the administration of his duties and may even have assistants. In such circumstances he is paid a salary for his services commensurate with his ability. He receives all money paid in on shares, keeps the accounts of the association, and countersigns all certificates for shares of stock, contracts, and conveyances requiring the signature of the president. The money he receives is paid over to the treasurer, usually a banker, and orders are issued by the secretary payable by the treasurer. He acts as secretary of the board of directors and as custodian of the securities, books, and insurance policies. He reports regularly to the board of directors regarding receipts and disbursements. Semi-annually, or oftener when so required, he makes a full financial statement of the condition of the business.

In large measure the success of the association depends upon the qualities of the secretary. Coming into direct contact with the shareholders, his manner and personality must be such as to inspire confidence and enable him to attract and hold members. He is required to give bond for the faithful performance of his duties, but this is in no way a substitute for character and capacity. In the larger associations he is assisted by others whose duties are purely clerical.⁵⁷¹

In addition to these officers there is the treasurer who acts in a purely ministerial capacity. He receives the funds from the secretary, gives his receipt for the same, and pays out the money on orders from the secretary. Even in the matter of selecting a bank for the depositing of cash on hand he is subject to the advice of the board of directors. Some associations retain an attorney as a regular officer

of the association to examine titles, make out the legal papers, and perform other duties in connection with the legal aspects of the business. Accounts must be regularly audited—a duty that is usually performed by a committee of the directors appointed for that purpose—but sometimes a single qualified individual makes the audit.

STATE SUPERVISION

The first effort at State supervision of building and loan associations in Iowa came in 1872 through legislation permitting the organization of associations under the general corporation laws. They were empowered to collect dues, fines, interest on loans advanced, and premiums bid by members for the right of precedence in taking loans; to make loans; to convey real estate; and to do other things incident to their business. Out of the earnings they were allowed to set aside ten per cent for current expenses. The remainder of the earnings were to be credited to the shareholders. The usury law was held not to apply to those already organized or to those to be organized in the future. No person was allowed to hold more than twenty shares.⁵⁷² No requirement was made for reports or examinations. State supervision can hardly be said to have really begun until twenty-five years later. In the meantime a large growth of business had taken place. Effective State supervision came with the legislation of 1896. By that time a hundred associations were operating in Iowa. A considerable number of foreign companies were carrying on their business in a manner which was not to the best interests of the Iowa investors. State supervision with its consequent publicity was adopted for the purpose of eliminating those institutions operating primarily in their own and against the public interest.

In the first place the statute required that the articles of incorporation of building and loan associations must be ap-

proved by the Executive Council. The articles with the certificate of approval attached must then be filed with the State Auditor. Any amendments to the articles must be handled in the same manner. After the Auditor received the approved articles he was to issue a certificate authorizing the association to commence business. Thereafter the association was under the control of the Auditor, who was required to examine all associations at least once a year. This examination might be conducted by the Auditor or by some person appointed for the duty. Examiners were empowered to summon witnesses and procure documents necessary to learn all facts. Costs of the examination must be paid by the association, a fee of \$5 per day and expenses being allowed. In no case could an association be required to pay over \$200 per year for examination costs. Twenty shareholders of a domestic-local association could apply to the Auditor for examination, in which case he must make the examination under the same conditions as the regular periodic examination.⁵⁷³

Annual reports were required of all associations. These must be made before February 1st on the business of the preceding year as of December 31st. This report must show the following:

1. The date when the association was incorporated and the par value of each share of stock.
2. The number of shares sold during the year.
3. The number of shares cancelled or withdrawn during the year.
4. The number of shares in force at the end of the year.
5. A detailed statement of receipts and disbursements showing specifically from what source received and in what manner applied.
6. A statement of the assets and liabilities at the end of the year.
7. The salary paid to each of its officers during the year.
8. All foreign building and loan or savings and loan associations shall in addition to the above, report the names of each share-

holder of such association residing within the state of Iowa, together with the postoffice address of each and the number of shares owned by each of said persons on the first day of January preceding, and the cash value of each said shares on said date.

A failure to report promptly subjected the association to a penalty of \$25 per day for each day the report was withheld. The Auditor was required to report the condition of the associations biennially. This report was to contain a summarized statement of the condition of the association, together with such suggestions as he might deem expedient.⁵⁷⁴ In accordance with the statute the Auditor published in 1897 the first regular report of building and loan associations.⁵⁷⁵ In 1900 the law was amended to require a detailed statement in the report of the names of officers and salaries paid.⁵⁷⁶ The regulations then laid down hold substantially at the present time. In 1917 the State Department of Banking was created, but the building and loan associations have remained under the Auditor's supervision.

Of the value of regular public reports there can be no doubt. These enable members to keep in touch with the progress of the business, since they are usually printed for distribution to the members and to others interested. For this reason they serve also for advertising purposes. The reports are even more important as a stimulus to the officers to make a good showing and as a check on corruption. To guard further against corruption all officers who handle any funds have been required since 1896 to give bond or fidelity insurance: these bonds must be approved by the board of directors and the State Auditor.⁵⁷⁷

Within sixty days after the legislation of 1896 was enacted all associations were required by the law to conform thereto. The only exception was in case an association signified its intention to close up its affairs, in which case it was given additional time to do so without being subject to penalties. Domestic or domestic-local associations were

required to reincorporate or amend their articles to comply, while foreign associations were to furnish a copy of their articles and the required securities. Doing business without a certificate or soliciting business for an association without having a certificate was made a criminal act subject to a fine of not over \$10,000 or imprisonment for not over ten years or both.⁵⁷⁸

In 1902 unincorporated associations were defined and regulated. Any organization or individuals engaged in creating funds on periodic payments by members to loan on real estate, personal property, or for similar purposes was deemed a building and loan association and subject to the provisions of the law governing them so far as it was applicable. Before beginning business they must submit to the Executive Council a full and complete sworn statement of resources and liabilities, together with the proposed plan of business. Fifty thousand dollars worth of securities must be deposited with the Auditor as a guaranty fund. Acceptable securities should consist of first mortgages and negotiable notes bearing interest of not less than five per cent, said mortgages to be secured by real estate worth double the amount of the mortgages. The Auditor might require additional securities if necessary for the protection of investors.

The Executive Council must approve the plan and method of business and the Auditor issue a certificate to permit the association to transact business in the State. Officers must give approved bonds. Reports similar to those called for from incorporated companies must be made annually. In addition the Auditor may call for reports, of any designated past date, as often as four times a year. Examinations might also be made at his discretion, the costs of \$10 per day for the time spent and necessary expenses being borne by the building and loan association. Heavy penalties were prescribed for any false statements, unauthorized

solicitation of funds, or other fraudulent or improper transaction.⁵⁷⁹

The occasion of this law appears to have been the establishment within the State of a class of unincorporated associations or partnerships transacting their business under what were termed "Diamond Contracts". In some of these companies the member was promised a diamond on the maturity of the contract, in other cases he was to receive a home. The operations of the companies were of such a doubtful nature that the Auditor in his biennial report for 1901 asked the General Assembly either to prohibit them from doing business or to provide for their supervision and control.⁵⁸⁰

Two years later the Auditor again called upon the legislature to regulate investment companies carrying on a business somewhat similar to that of building and loan associations. These companies were engaged in the business of issuing investment securities on the installment plan, but varied their contracts so as to evade coming under the building and loan or insurance laws. Some of these companies had represented, through their agents, that they had deposited securities with the Auditor's department to guarantee their contracts. The evidence produced during the prosecution of one company for failure to comply with the law, passed by the General Assembly as the Auditor had requested, indicated the necessity for supervision. The General Assembly placed all such associations under the supervision of the Auditor and required them to report to him annually. Reports were not required to be published, so no further record is found of them—if indeed any obtained certificates under the law.⁵⁸¹

BENEFITS FROM BUILDING AND LOAN ASSOCIATIONS

The direct benefits of the building and loan associations to members may be said to be threefold: first, they stimulate

home owning; second, they inculcate habits of thrift; and third, they train in business methods and general knowledge of affairs.

Arguments for the advantages of home owning need scarcely be urged. The home owner is almost always a steadier workman and more conservative citizen. One of the difficult problems confronting the employer of labor in America is the labor turn-over. At the Ford plant in Detroit one of the most effective means of checking this waste was found to be a stimulation of home owning. Bolshevism and other radical movements receive support from the propertyless individual. The building and loan association provides the means for the working man to save for a home; it permits him to borrow on a basis which encourages payment of the debt. At the time of the comprehensive investigation of 1893, seventy per cent of the shareholders were classed as working people. In a survey of the benefits of building and loan associations the Bureau of Labor contributes testimony which is the product of first hand information. "In the testimony before the Industrial Commission it was very strongly impressed upon the Commission that the influence of these institutions upon industrial life was conservative, tending toward the prevention of disputes and strikes and making for industrial peace. The home owner acquires a real and tangible interest in the community and its welfare as well as an increased self-respect and more elevated moral standard."⁵⁸²

The second advantage, that of inculcating habits of thrift and saving, also needs little explanation or support. Building and loan associations furnish a place for safe and profitable investment for small sums. The plan of periodic payment on shares gives a further stimulus toward regularity of deposit. All deposits are available in case of need, but the handicaps on withdrawing make it unlikely that money once saved will be spent for any trivial purpose. When the

shareholder is a borrower the advantage of the installment method of attacking a debt is obvious; it has been likened to attacking an army in detail—one installment after another is conquered until the whole debt is annihilated. Thus is saving stimulated and real property created.

Business training and knowledge of affairs gained through connection with the association is a third benefit to the individual. This comes from the fact that all depositors are shareholders and participate in the management of the association—a coöperative feature that is undoubtedly of value in adding to the feeling of self-respect and importance of the members.

The place of the building and loan associations in the community and their relation to other financial institutions have come to be quite clearly recognized. It is obvious that they are not in any sense rivals of the commercial banks. Banking, as such, is strictly prohibited to such associations by the laws of Iowa. The language of the statute is explicit: "It shall be unlawful for any building and loan or savings and loan association to receive deposits of money without issuing shares of stock for the same, or to transact a banking business."⁵⁸³ The practice of practically all building and loan associations is to deposit all their funds in some bank and keep no treasure vault of their own. They aid in creating permanent wealth in the community by gathering together small savings, a large percentage of which would not find their way into any bank. The working man is made a better and more thrifty citizen; labor and merchandising in the community is stimulated. In the cities where the associations are well conducted, bankers are nearly unanimous in their approval. In fact many officers and directors of building and loan associations are bank officers and directors. Wise bankers encourage the association, recognizing that it occupies a special field and is not detrimental to their business.⁵⁸⁴

LEAGUE ORGANIZATIONS

As the building and loan movement developed in this country it was recognized that there was a need for some unification of the movement to enable officers of associations to exchange views and work in a spirit of harmony to promote the general interests. This led to the formation of so-called leagues, the purpose which has been well stated in these words: "The necessity for greater uniformity of methods, the constant vigilance required to prevent inimical legislation, and the concerted action necessary to secure progressive enactments favorable to the development of these associations, led to the formation of so-called leagues."⁵⁸⁵

The league organizations were first perfected in the various States. These were followed by the United States League of Local Building and Loan Associations, the origin of which is traceable to a resolution at the State convention in Ohio in 1892. The first meeting was held in Chicago in July, 1893, at the time of the World's Fair. Since that time it has held regular annual meetings in various cities of the United States.⁵⁸⁶

In Iowa the Building and Loan League has been in existence about the same length of time. It held its twenty-seventh meeting at Waterloo on September 25, 1918. Iowa associations do not support the State league as it would seem to deserve. The list of delegates usually in attendance shows that only about one-fourth to one-third of the associations of the State are actually represented. The larger associations, however, are included, so that at the Waterloo meeting four-fifths of the assets of the State associations were represented.⁵⁸⁷

A recognized need of the Iowa building and loan movement is for greater publicity. The general public is not familiar with association methods. This need for public education has been recognized by the associations and dis-

cussed at league meetings. In the discussion at the 1917 convention, advertising plans in use elsewhere were outlined. A successful method was shown to be combined advertising, as in Toledo, Ohio, where ten or twelve associations united to carry on a successful campaign of education. Some associations have distributed copies of the *American Building Association News* over the counter or to legislators when favorable legislation was needed. As a result of the discussion the Iowa League voted to ask W. R. Boyd of Cedar Rapids to write some articles on thrift, and appointed a publicity committee to report at the next meeting.⁵⁸⁸

PROPOSED FEDERAL CO-OPERATIVE BANK

In connection with the after-the-war campaign to promote home building there was launched a movement for a national system of home loan banks, through which building and loan associations might rediscount their securities and make available more funds for further loans. The purpose of the proposed system is to do for the building and loan associations what the Federal reserve system has done for the commercial banks and what the Federal land banks have done for the national farm loan associations. Such a system would be headed by a Federal home bureau in the Treasury Department. The general functions of the proposed banks and their methods of selling bonds to investors would resemble very closely those now followed by the Federal land banks. The Department of Labor and the United States League of Local Building and Loan Associations strongly backed the proposal which was embodied in a bill at the first session of the Sixty-sixth Congress.⁵⁸⁹

TAXATION OF BUILDING AND LOAN ASSOCIATIONS

The first provision for taxing the shares of building and loan associations was made in 1876, when the shares were to be assessed at their cash value. "Unredeemed" shares

only were to be taxed and these were to be listed to the individual owners thereof. In 1896 the law stated that the shares of stock should be classified as moneys and credits for purposes of taxation.⁵⁹⁰ In 1913 previous provisions were repealed and a substitute section enacted. The general method of taxing shares remained unchanged. They were to be assessed and taxed to the individual holders at their places of residence. In 1911 the General Assembly had provided for the taxation of moneys and credits at a flat rate of five mills on the dollar, which became the rate for the loan association shares according to their cash value. The real estate and the reserve fund of the association must be assessed as real estate or personal property and be subject to taxation at the principal place of business. The State Auditor furnishes, through the county auditor, to each assessor a statement of the names and post office addresses of all stockholders in foreign associations residing in the assessor's district, together with the actual value of the shares so held. In 1911 the general incorporation law was amended to make building and loan associations exempt from the payment of the incorporation filing fee provided therein in excess of \$25. They were also made exempt from the payment of a renewal fee.⁵⁹¹

The Federal government has also been liberal in granting exemption from taxation to building and loan associations. They were made exempt from the early income tax law, which was later held unconstitutional, from the stamp act of the Spanish-American War in 1898, and from the corporation income tax and the war excess profits tax. They were, however, made subject to the stamp taxes upon bonds, notes, conveyances, and other documents.⁵⁹²

Building and loan associations have now had a history of about half a century of operation in Iowa. During the first half of this time they grew in numbers and strength practically unregulated and subject to the abuses incident to this

lack of supervision. During the first few years of State supervision, beginning in 1896, the decline in number of associations and total assets was so marked as to cause the Auditor to raise the question as to the desirability of continuing the plan of publication of reports. He favored some plan of local publicity, evidently feeling that the future importance of building and loan associations would be very limited.⁵⁹³ The addition of new associations during the past decade and the growing prosperity of those now in existence proves that any fear that all associations will quit the field is unwarranted. The elimination of associations pursuing unsound methods has broken down prejudice—even in Des Moines, the headquarters of the old associations. The popular belief that the Iowa law is unfavorable to building and loan associations of the proper type is being dispelled wherever parties interested in starting associations investigate the facts. In view of the existing situation in Iowa and the growing importance of building and loan associations in other Commonwealths, the outlook for the building and loan movement in this State seems very bright.

XII

FARM MORTGAGE BANKING

The chief business of the Iowa bankers during the period of the fifties was loaning to the pioneers on land security. But the panic of 1857 forcibly illustrated the danger of using a bank's credit to assist in land speculation and drove home the truth of the principle that commercial banks should loan as largely as possible on short time self-liquidating obligations. The founders of the State Bank of Iowa, and also of the national banking system, prohibited the banks established thereunder from accepting real estate security. A long step was thus taken toward establishing distinctly commercial banking. But the private banker continued in the field. He adapted his business to the needs of the community. In some cases he carried on a commercial banking business, in others he maintained a mortgage and loan agency. The savings bank law also permitted the banks established thereunder to invest in real estate mortgages. State chartered and private banks have therefore continued to serve as agencies for furnishing long-time loans to farmers.

Specialization, which has marked banking and commerce as a whole, has tended, however, toward the creation of investment banks to deal in farm mortgages. By 1914 this type of institution was so well differentiated that national and State associations of farm mortgage bankers were formed. In 1916 Congress passed an act establishing the Federal farm loan system, under the provisions of which various types of institutions have come into being, devoted exclusively to the farm mortgage business. Within the past decade, therefore, farm mortgage banking has become "a distinct, well-recognized profession."⁵⁹⁴

VALUE OF FARM LAND IN IOWA

The vast amount of wealth represented by farm property, the large per acre value of the land, and the rapid improvement of the farms of the State have made the volume of mortgage business in Iowa very large. Moreover, the high quality of this mortgage security has attracted much outside capital which has contributed to the State's rural development. Unfortunately, much of the statistical data pertaining to the Iowa mortgage business are unsatisfactory. However, as an introduction to the discussion of mortgage banking in this chapter the available facts will be presented to show the basis for the business of these institutions.

Federal and State census statistics show that the value of farm property in Iowa has increased steadily since 1850 when the first data were collected.

TABLE X

VALUE OF FARM PROPERTY IN IOWA ⁵⁹⁵			
YEAR	LAND AND BUILDINGS	AVERAGE VALUE PER FARM	AVERAGE VALUE PER ACRE
1920	\$7,601,772,290	\$35,616	\$227.09
1915	3,992,100,158	19,924	121.00
1910	3,257,379,400	15,008	96.00
1900	1,497,554,790	6,550	43.31
1890	857,581,022	4,247	28.13
1880	567,430,227	3,061	22.92
1870	314,129,953	2,701	20.21
1860	119,899,547	1,960	11.91
1850	16,657,567	1,125	6.09

Table X shows that from a value of about sixteen and two-thirds millions in 1850, the farms and buildings in Iowa had risen in 1910 to over three and a quarter billions. In 1915 the Iowa State census placed the total value of all farm property, land and improvements, at nearly four billions. In the next five years farm property practically doubled in

value. Statistics published annually by the Department of Agriculture indicate that the average per acre value of all plow lands in 1916 was \$153, in 1917 \$156, in 1918 \$174, and in 1919 \$192. This placed Iowa at the head of the list of the corn-belt States based on land value per acre, being \$28 per acre above Illinois, the next State in order.⁵⁹⁶ These figures were published in March of each year and thus represent the value at the beginning rather than the close of the year. They are not exactly comparable with census figures, but are the most satisfactory data available for showing the recent increase in value.

In 1919 a phenomenal boom in the selling price of Iowa land took place, stimulated primarily by the large profits obtained from farm products sold at war prices. Examples of farms being resold within ninety days at a cash advance of from \$50 to \$100 per acre were not uncommon during the early summer months of 1919. On August 21, 1919, O. G. Lloyd of the farm management department of the Iowa State College of Agriculture at Ames reported that in fifty of the ninety-nine counties farms had sold for more than \$300 per acre during the preceding six months. The Federal Bureau of Crop Estimates credited Iowa with an average increase of \$63 per acre during 1919. This brought the average up to \$255 per acre. An intensive survey of farm land values in Iowa was made by the Office of Farm Management of the United States Department of Agriculture in cooperation with the Iowa Agricultural Experiment Station. The average price per acre for the 1414 sales upon which data were obtained was \$248, but this covered sales between January and September, 1919, whereas during the latter months of the period the figures as shown were considerably higher. Moreover, the investigators expressed the opinion that the better farms were sold during the early weeks of the "boom", before the prices had reached the new high level. For this reason even the later sales would

not reflect the full extent of the advance. Further information secured by the officers of the Iowa Farm Mortgage Association supports these estimates. Data were secured early in 1920 by a questionnaire to all members of the Association, bankers throughout the State, and others in a position to give information concerning land sales. From 167 replies received the average value per acre was found to be \$291.75, with an average per acre increase of \$80 in twelve months.⁵⁹⁷

In total value of all property Iowa ranked sixth among the States in 1912; in per capita wealth the State was second only to sparsely settled Nevada.⁵⁹⁸ Of the total wealth of \$7,868,454,211 over \$5,000,000,000 was in real property, and about three-fourths of this consisted of farm land and buildings. In addition to the real estate shown in Table X the farmers possessed working capital in the form of machinery, stock, feeds, and seed. Farming in Iowa, therefore, was a productive business representing, in 1920, about \$8,500,000,000 of capital.⁵⁹⁹ It over-shadowed all the other industries of the State combined. Quite naturally credit in the form of long-time loans is needed to finance this large volume of business.

STATISTICS OF IOWA FARM MORTGAGES

There are no complete and accurate data on the volume of mortgage loans in Iowa, although such statistics, if available, would be of unusual interest in this agricultural State. Since the State does not compile such information, the statistics of the Federal census bureau and of life insurance companies are about the only material published. Data relating to mortgage debt were first collected in the regular decennial census in 1890. The basis of the returns in the three census reports has been the "farm home" occupied by its owner. No reports have been secured for farms operated by tenants and managers. Data regarding the

amount of mortgage debt were obtained in 1890, 1910, and 1920 but not in 1900. The data are consequently incomplete, but since they were collected on practically the same basis for the three reports they are quite accurate for comparative purposes and are of considerable general value.

TABLE XI

FARM MORTGAGE AND DEBT REPORTS FOR IOWA ⁶⁰⁰			
	1920	1910	1890
TOTAL NUMBER OF FARMS OPERATED BY OWNERS	121,888	133,003	144,698
NUMBER FREE FROM MORTGAGE DEBT	45,807	63,234	67,587
NUMBER WITH MORTGAGE DEBT	66,096	68,045	77,111
NUMBER WITH NO MORTGAGE REPORT	9,985	1,724	
PER CENT OF MORTGAGED FARMS	59.1	51.8	53.3
NUMBER REPORTING DEBT AND AMOUNT	52,341	50,452	77,111
VALUE OF THEIR LANDS AND BUILDINGS	\$1,814,260,136	\$735,265,320	\$305,658,669
AMOUNT OF MORTGAGE DEBT	\$489,816,739	\$204,242,722	\$101,745,929
PER CENT OF VALUE OF LAND AND BUILDINGS	27.0	27.8	33.3
AVERAGE INDEBTEDNESS PER FARM	\$9,358	\$4,048	\$1,319

In 1920 there were 213,439 farms in Iowa, but mortgage data were secured only on the 121,888 owned in whole or in part by the operators. Of this number 45,807 were reported as free from mortgage; 66,096, that is, about fifty-nine per cent, were reported as mortgaged; and for 9985 no report concerning mortgage indebtedness was obtained. The amount of mortgage debt was \$489,816,739 for the farms included, or an average indebtedness of \$9358 per farm, equivalent to twenty-seven per cent of the value of the land and buildings mortgaged. The aggregate amount of mortgage indebtedness and the average debt per farm more than doubled in the decade ending in 1920, but the percentage of debt to value was almost the same as in 1910.

In 1890 the total mortgage debt was \$101,745,924, or an average of \$1319 per farm, equivalent to thirty-three and three-tenths per cent of the value. The figures for 1890 include all owned farm homes, estimates being made of value of farms and amount of debt for all defective reports. It will be noted that, although the average size of the mortgage was over seven times as great in 1920 as it had been thirty years earlier, yet as a result of the great increase in land value the percentage of debt to value decreased from thirty-three and three-tenths per cent to twenty-seven per cent.

The data on mortgages cover only the owned farm homes, leaving over one-third of the land about which no information was secured. The amount of tenancy in 1900 and 1910 is shown by Table XII.

Table XII shows that forty-four per cent of all the land in farms in 1920 was operated by tenants. The amount of mortgage indebtedness against these farms is unknown, but it was surely considerable, although probably not as great proportionally as for the farms operated by owners,

TABLE XII

FARM OPERATION AND OWNERSHIP IN IOWA ⁶⁰¹					
		NUMBER OF FARMS	PER CENT OF TOTAL NUMBER OF FARMS	TOTAL NUM- BER OF ACRES	PER CENT OF ALL LAND IN FARMS
OPERATED BY OWNERS	1920	121,888	57.1	18,051,121	53.9
	1910	133,003	61.3	20,214,337	59.6
	1900	147,305	64.4	22,451,768	64.9
OPERATED BY MANAG- ERS	1920	2,487	1.2	569,086	1.7
	1910	1,926	0.9	490,805	1.4
	1900	1,581	0.7	498,982	1.4
OPERATED BY TENANTS	1920	89,064	41.7	14,854,689	44.4
	1910	82,115	37.8	13,225,546	39.0
	1900	79,736	34.9	11,623,587	33.6

many of whom were in the early stages of paying for the land. Increasing tenancy is an outcome of higher priced land. With the rapidly mounting price of land this becomes a serious economic and social problem. To check such a tendency is an important function of improved mortgage credit.

Supplementary statistics on Iowa farm mortgages can be obtained from the reports of the life insurance companies, the largest investors in farm mortgages. The secretary of the association of life insurance presidents, an organization representing about ninety-seven per cent of all investors in farm mortgages among the insurance companies in the United States, recently published a report on farm loan investments in war time. On December 31, 1914, the farm loans in Iowa by insurance companies were \$139,511,101; two years later the total was \$195,782,521. During the first nine months of 1917 new loans of \$61,152,392 were placed by the insurance companies.⁶⁰² The latter figure does not take account of mortgages paid off or reduced during the same period. Insurance companies held approximately \$250,000,000 of Iowa mortgages at the close of 1917. The volume of mortgages held by banks, endowed institutions, mortgage companies, and private investors can only be estimated. Well-informed farm mortgage dealers estimated the amount of mortgages outstanding in the summer of 1919 at approximately \$500,000,000. This would appear now to be too low since the census figure for owned farms alone was \$489,816,739 and moreover the amount of debt was secured on only 52,341 out of 66,096 reported as mortgaged. A conservative banker after careful analysis estimated that \$250,000,000 of standard first mortgages were placed in Iowa during the first three months of 1920.⁶⁰³ This probably does not represent an increase of that amount in outstanding mortgages since renewals appear to have been included. But estimates by well-informed

mortgage dealers in June, 1921, placed the total of all Iowa farm mortgages at from \$800,000,000 to \$1,000,000,000.

Farm mortgages have generally proved the foundation of prosperity for Iowa farmers. The farmer has needed capital to develop and improve his farm; for this purpose his land has offered the best security. The tenant has wished to become an owner, and the vendor in many cases has stood ready to accept a considerable part of the purchase price in the form of a first mortgage on the farm. In a few years the advancing price of land has greatly increased the new owner's equity in the place and has enabled him to tide over any temporary depression. The average value of the mortgaged farms has been found to be greater than the unmortgaged: the buildings and improvements are also of higher value.⁶⁰⁴ The average size of the Iowa farm in 1910 was 156.3 acres—twenty-three acres larger than the average farm of 1880.⁶⁰⁵ With the average price ranging from \$250 to \$300 per acre since 1919, it can easily be seen that in the neighborhood of \$50,000 is needed to buy an Iowa farm. Many persons who are now farming either bought the land at a fraction of its present market value, or they have inherited from parents who did so. The buyer at present prices needs, and will long continue to need, credit on a long term basis. Instead of a thing to be dreaded, as is the mortgage of fiction, the farm mortgage is the cheapest means the Iowa farmer has of securing capital for productive purposes. The business of mortgage banking in some form seems sure to be a relatively permanent one.

EARLY MORTGAGE BANKING

The material for the complete history of mortgage banking in Iowa has not been assembled—if, indeed, it ever can be. No State supervision has been exercised over this business as such. No reports of mortgage dealers are filed with State officials. During a large part of Iowa's Terri-

torial and State history there was no specialization in the mortgage business. Prior to the installation of the Federal farm loan system the various classes of purchasers of farm mortgages might, for convenience, be grouped in five main classes: banks of all kinds, farm mortgage companies, insurance companies, endowed institutions, and private investors. In placing their investments these various classes used different methods and facilities.

In an earlier chapter the part played by the private banker of the fifties in "entering land on time", acting as agent for eastern capitalists in placing money in farm loans, dealing in land warrants, exchanging gold for the eastern drafts of land buyers, and carrying on a general real estate agency has already been described. Gradually the functions of commercial banking were developed by the older banks. But the pioneer banker had followed the establishment of the government land office at Council Bluffs, Fort Dodge, Sioux City, and other points. The banker took heavy risks and charged proportionately.

The panic of 1857 swept away the majority of the existing banks in Iowa. Shortly thereafter the State Bank of Iowa was incorporated with a prohibition in its charter against real estate loans. A similar restriction was contained in the national banking act of 1863. These conspicuous examples of successful banking without the use of real estate security show that even in the early period banking could be carried on in Iowa with its loans limited to the discounting of short time commercial paper. But throughout the existence of the State Bank, during the dominance of the national system before 1875, and even after the recognition of State and savings banks under Iowa laws, the private banks continued to thrive. Their business was what they chose to make it. In many cases they were small commercial banks, which later incorporated under State or national law and have become substantial institutions. Other private

bankers were chiefly interested in the farm mortgage and real estate business, accepting deposits only incidentally and discounting very little short time paper. As a result of changing public sentiment and of the development of specialization in banking, the large place among the financial institutions of the State formerly taken by private banks has been lost. In a great many cases they have sought incorporation under State or national law; in others they have developed the mortgage and loan business as a specialty.

FARM MORTGAGE BUSINESS OF THE COMMERCIAL BANKS

In 1863 the framers of the national banking law, influenced by the general abuse of the right of making real estate loans, prohibited the national banks to be created thereunder from making any mortgage loans. In order to meet the legitimate demand for this class of loans, many national banks established an associate savings bank or trust company. Usually this allied institution is owned by the same stockholders, operates in the same banking room, and is managed by the same officers. Savings deposits have been made through this affiliated institution, which has been free to loan on real estate, limited only by the State laws governing the investment of savings bank funds. Where no associate institution has existed the national bank has often in a certain sense made real estate loans. This has been accomplished by loaning to a farmer on his personal note although relying on the fact that he is a land owner to secure the note. Notes made in this way are recognized as investment loans and are renewed from time to time by the banker.

The Federal Reserve Act permits national banks to loan on farm land an aggregate amount not exceeding twenty-five per cent of its capital and surplus, or one-third of its time deposits. The time limit on these loans is fixed at five years and the maximum amount at fifty per cent of the

actual value of the property offered as security.⁶⁰⁶ This has extended somewhat the opportunity for making farm loans by this class of banks, but the nature of the business of many national banks in the commercial centers and the affiliation of others with savings banks or trust companies have been such that only a moderate change was affected by this amendment.

State and savings banks have always been allowed to invest in real estate mortgages. The savings bank law of 1874 defined the class of investments which savings banks might make, and permitted them to purchase real estate mortgages upon unincumbered Iowa land worth twice the amount loaned thereon. In 1913 an amendment was passed which permitted savings banks to invest in notes or bonds secured by real estate outside of Iowa, if in any county adjoining the Iowa State line. This loaning area was further extended in 1917 to any adjoining State, except that no loan may be made on real estate west of the 100th meridian line.⁶⁰⁷ Until very recently, therefore, the Iowa banks have been limited to Iowa mortgages. The amount which might be loaned to any one individual was limited to twenty per cent of the capital of the bank prior to 1902. The percentage was raised in that year to fifty per cent when the loan was secured by mortgage upon unencumbered farm land.⁶⁰⁸ Very little practical limitation has, therefore, existed upon the right of State incorporated banks to make farm mortgage loans. As a matter of fact the practice in this respect has differed very markedly in different sections of the State. In the older counties in the eastern third of the State, it is quite common for a bank to carry a considerable amount of real estate mortgages, but it is unusual for banks in certain western counties of the State to loan any of their funds on real estate, except temporarily. The explanation of this difference lies in the heavier demand for short time loans in the western counties. These short loans are commonly

made at eight per cent interest and are, therefore, much more remunerative than the mortgage loans which seldom draw over six per cent.⁶⁰⁹

In addition to their part as investors in farm mortgages most country banks have served as agencies for placing the money of other institutions or individuals wishing to make this type of investment. Practically every farmer in Iowa has a bank to which he turns for all sorts of financial aid or advice. The farmer planning to make a loan looks to "his bank" for the money. These banks have found it profitable to place loans for others on a cash commission basis.

DEBENTURE COMPANIES

In the period from 1870 to 1893 many debenture companies were formed to handle the investments offered by the development of farm land. These were most active in the Upper Mississippi Valley, extending into Kansas, Nebraska, and the Dakotas. In an address before the Iowa Farm Mortgage Association, D. H. McKee, Vice President of the Iowa Loan and Trust Company, Des Moines, stated that 121 debenture companies were operating in this territory in the early nineties. The method of all of these companies was the same. Debentures were issued which were a first claim on the general assets of the company and were further secured by first mortgages on improved land worth twice the amount loaned thereon. Many of these were English or Scotch companies. From a prospectus in his possession of the Farm Land Mortgage and Debenture Company of Cedar Rapids, Mr. McKee presented many interesting facts. This document, issued in 1892 by McFarlane, Hutton, and Patrick of Glasgow, Scotland, showed that the company was organized in 1888, and apparently was financed by Scotch capital. Its paid-up capital was 20,618 pounds of ordinary and 87,744 pounds of preference shares. Deben-

tures of 710,200 pounds were outstanding, making total assets of over \$4,000,000. The Mortgage and Debenture Company, Limited, was organized in England to carry the business of the Cedar Rapids Company, and the Law Guarantee and Trust Society, Limited, of London, was named as trustee for the debenture stock issued by these companies. The territory of operation was in Iowa and the surrounding States.

Another company of the same type mentioned by Mr. McKee was the West of Scotland, American Investment Company, Limited. It was also operating in Iowa, South Dakota, and Minnesota. Of all the debenture companies operating in the early nineties only one, the Iowa Loan and Trust Company of Des Moines, remained in active operation in 1915. Some of these companies appear to have overloaded with mortgages and to have become involved in difficulties during the depression in the nineties. Even the conservative companies, however, have encountered a declining market for their debentures. The experience of the Iowa Loan and Trust Company is that its debenture business has declined during recent years, although it still had outstanding, in 1919, approximately \$2,500,000 of these bonds. During the period of the successful business of this and other companies, the bonds paid interest of six per cent and were issued for ten years. At five per cent it was also possible to float the bonds successfully, but only a few bonds could be sold at a lower rate. These bonds were amply secured by carefully placed mortgages, but still were unable to compete as an investment with the farm mortgage itself.⁶¹⁰

In recent years there seems to have been some revival of the use of debenture or mortgage bonds. The attention of the writer has been called to an Iowa trust company which is now issuing bonds of this type. It appears that the primary object of this company is to reach the small in-

vestor and thus find an outlet for large mortgages. Mortgages on Iowa farm land totalling at least \$50,000 are deposited with a trustee, and debenture bonds are then issued and sold in small denominations. Bonds are issued to run for a period of three or five years and yield, at present, five and one-half per cent to the investor. There is no "spread" between the interest rate on the mortgage and the interest rate on the bond. The profit for the company comes in the commission of one or two per cent charged the borrower at the time he makes his loan.⁶¹¹

EXISTING FARM MORTGAGE COMPANIES

Other farm mortgage companies of a different type have become increasingly numerous in Iowa in recent years. Banks, corporations, and individuals have specialized in the purchase and sale of farm mortgages. The number of such companies can not be accurately determined, since there is no way of definitely classifying them. Membership in the Iowa Farm Mortgage Association may perhaps be considered as satisfactory a test as any; but even this organization is not composed strictly of mortgage companies, nor does its roster include all such companies.

The Iowa Farm Mortgage Association was organized in 1914. A preliminary meeting was held on February 21, 1914, at the call of Frank J. Long, D. H. McKee, G. M. Titus, J. F. Webber, and H. S. Merrick. The first annual meeting was held in Des Moines May 19, 1914, G. M. Titus of Muscatine serving as first president. Regular annual meetings of the association have been held since that time. The purpose of the organization, as stated in the preamble, is to maintain the high standard and credit of Iowa farm mortgage loans at home and abroad. It was believed that this end could "best be secured by frequent conferences, exchange of views, and closer coöperation of the individuals and representatives of firms and corporations in Iowa who

are engaged in dealing in farm mortgage loans''.⁶¹² The membership was expected to include corporations, firms, or individuals engaged in making loans or in the purchase and sale of mortgage loans.

A list of the members furnished by F. C. Waples, secretary of the association, included seventy-six names in July, 1921. Of this number, thirteen were incorporated banks or trust companies. Some of these have a large farm mortgage business, but are not devoting their entire attention to this field. Five insurance companies, which figure more largely as purchasers of mortgages than as dealers, are also members. Of the remainder, some are individual dealers, but forty-seven are incorporated mortgage companies.

In the same year that the Iowa Farm Mortgage Association was started, a national organization was launched. A preliminary meeting was held in May, and the first annual convention assembled at Chicago on October 7 and 8, 1914. In defining and determining the membership the founders of the association undertook "to establish as a distinct, well organized profession, the business of 'farm mortgage banking'". Brokers and dealers in city mortgages were excluded on the ground that they were not farm mortgage bankers. In order to eliminate unreliable dealers the minimum capital of a firm eligible to membership was fixed at \$25,000. In general the purposes of forming the association, as stated in the preamble of the constitution, are: to encourage intelligent State and national legislation; to secure uniformity of practice; to aid in public discrimination between dealers and securities; and to give opportunity for those engaged in the business to exchange ideas, form personal acquaintances, and enjoy the fellowship of association meetings. In 1917 fourteen Iowa institutions were listed as members of the national association.⁶¹³

The business of a farm mortgage company consists in making loans, or purchasing mortgages already made, and

selling the same to investors. Very few now issue their own debentures for sale, and as a general rule they do not guarantee the mortgages sold, although at least one Iowa company has recently announced its intention of selling guaranteed mortgages.⁶¹⁴ To protect their reputation for dealing only in sound securities, the conservative companies look out for the interest of their clients in case of any trouble. They do not, however, incur any legal responsibility to do so. Many smaller investors accept the opinion of the attorney of the mortgage company as to the validity of the title and other legal points connected with the drawing up and recording of the mortgage. On the other hand, some investors, especially the life insurance companies, rely wholly on the opinion of their own attorney.

MARKET FOR IOWA FARM MORTGAGES

Mortgage dealers sell their securities to private investors, savings banks, insurance companies, colleges, and other endowed institutions, and other brokers. Although the largest holders of Iowa mortgages are the insurance companies, the testimony of the dealers is that the best market for their offerings is with private investors. The other buyers are equipped to place their capital directly in many cases, hence do not rely on the dealers for their investments. The profits of the mortgage companies come from cash commissions charged the borrower and from being able to sell mortgages in blocks at a lower net rate to the investor than is charged the borrower.⁶¹⁵

Insurance companies, as was shown earlier in this chapter, have been heavy investors in Iowa farm mortgages. Out of a total of \$828,568,867 invested in mortgages by all insurance companies on December 31, 1916, \$195,782,521 or nearly one-fourth were Iowa mortgages. The State second to Iowa in respect to the amount of insurance money loaned therein was Missouri with \$73,528,633.⁶¹⁶ In placing this

large volume of loans, three methods are used by the insurance companies: to make loans through special representatives working for the company on a salary or commission basis; to buy from brokers and mortgage companies in large blocks after special examination of the security; and to appoint county agents to make the loans for them.⁶¹⁷ H. S. Nollen, vice president of the Equitable Life Insurance Company of Iowa, told the mortgage bankers at their 1919 convention that the companies rely in considerable part on the man out in the field, the men represented in the gathering before him.⁶¹⁸

The market for the sale of mortgages to savings banks is practically limited to Illinois, Wisconsin, Vermont, New Hampshire, and Iowa. Owing to injudicious loaning by the savings banks of New England during the early nineties, investment in real estate mortgages outside of the State was denied by the laws of three of the New England and many other eastern States. Vermont and New Hampshire were an exception. Leslie M. Shaw is reported to have loaned very extensively for Vermont bankers through his bank at Denison, Iowa, during the seventies and eighties. Vermont savings banks continue to invest heavily in outside mortgages, the total being stated at \$45,000,000 in 1915—principally on land in the Mississippi Valley.⁶¹⁹ Iowa continues to receive a share of this money. The repeal of the restrictive laws in other eastern States would broaden the market for Iowa farm mortgages. This is something Iowa mortgage men have hoped to see brought about. In addition to loans made directly by savings banks in their own territory, Iowa savings banks in certain sections are heavy purchasers of mortgages handled by the regular mortgage companies.

The sale of Iowa mortgages to endowed institutions and to individuals has not been limited to Iowa, although there has been a good market here for these securities. In 1915

the State census showed a total of twenty-seven endowed institutions for higher education with an enrollment of 10,148 students.⁶²⁰ The amount of their productive endowment and the amount of it which is invested in Iowa mortgages are not given, but may safely be assumed to be considerable. Until recently there have not been many individuals in Iowa with free capital seeking investment, but the number of these has rapidly increased in recent years. Many farms have been sold during 1918 and 1919, the terms of sale requiring the vendor to carry a large percentage of the purchase price in a mortgage on the land. If the holder of the mortgage wishes to realize cash on the same, he must seek some purchaser other than the banks and insurance companies, which are limited to loans not exceeding fifty per cent of the value of the mortgaged property. Acting as brokers for such parties would appear to offer an increasing field of activity for the mortgage companies.

INTEREST RATES

The rates charged for real estate loans throughout Iowa's history are not available. In the early fifties the standard rate was forty per cent, with usually an added profit for the banker if he could enter on the land with warrants given by the government for service in the War of 1812, the Indian wars, or the Mexican War, which were often sold by the veterans at a considerable discount. During the nineties loans were made at about six per cent on good security. In the decade preceding the World War many loans were made at five per cent with an added cash commission of from one to two per cent at the time of making the loan, on a straight five year mortgage. The rates increased somewhat during the war. The only exception to this condition was in case of those rates granted by vendors in order to secure a higher price for their land. In some localities the rate of

five per cent was maintained under those circumstances and was a factor in stimulating land sales.

The rates realized by insurance companies in recent years are a fair indication of the cost of the loans for the period covered. On December 31, 1914, the average rate on \$139,511,101 of outstanding loans in Iowa was 5.32 per cent. Two years later the rate was 5.28 per cent on all the outstanding Iowa farm mortgages. On the business written from January 1 to September 30, 1917, the average rate was 5.18 per cent.⁶²¹ This does not represent the total cost to the borrower who usually pays a cash commission in addition which adds from one-fourth to one-half per cent annually to the average cost of the loan. By the spring of 1919 the cheapest money available on the best securities was at five and one-half per cent, with a cash commission of one per cent and expenses also borne by the borrower. At the June, 1919, meeting of the Iowa Farm Mortgage Association, L. H. Bush, special loan agent at Des Moines of the Northwestern Mutual Life Insurance Company of Milwaukee, announced that he was in a position to loan funds at five and one-half per cent for terms of either five or ten years. In 1920 the average rate of interest reported by the Federal census was five and one-half per cent. The high interest rates prevailing on all classes of loans during 1920 raised mortgage rates to a minimum of six per cent, while most loans were placed at still higher figures.⁶²²

Practically all of the loans made in Iowa by banks, insurance companies, and individuals are straight term mortgages, five years being the most common period. The custom has been to allow optional payments after the first year, usually in sums of not less than \$100. Interest is payable semi-annually. H. S. Nollen, vice president of the Equitable Life Insurance Company of Iowa, in discussing insurance investment for the future at the 1919 meeting of the Iowa Mortgage Association said, however, that he believed

the insurance companies would also offer amortized loans hereafter.⁶²³

FORECLOSURES AND LOSSES

The record of losses and foreclosures on Iowa farm mortgages is another phase of the history which would prove interesting if definite facts were available. It is known that there was wholesale loss occasioned by the panic of 1857. Again, during the crisis in the seventies there was doubtless some increase in foreclosures. The partial crop failure of 1894 was followed by the abnormally low prices for the large crop of 1896, and the result was hard times for the farmer during the nineties, but even then most debtors weathered the strain. In the pioneer sections of Nebraska, the Dakotas, and Kansas the losses were very heavy. In those days it was not uncommon in western Iowa to see the passing "prairie schooner" from those sections carrying the pioneer back to his former home. He had taken the risks of a new country and lost. Usually the plucky farmer had stayed on until there remained only a few household furnishings, a wagon or two, and several half starved horses. Iowa farmers were in a better position to meet the adverse conditions and very few were forced to lose their farms under foreclosure.

In more recent years the rapid rise in land values has made losses on carefully placed loans virtually impossible. L. H. Bush stated to the Iowa farm mortgage bankers at their 1919 convention that he had represented the Northwestern Mutual Life Insurance Company in Iowa for twenty-four years, and during that time had had only two foreclosures. In both cases the matter was satisfactorily settled, without loss to the company, before leaving the court house. The savings banks of Vermont held nearly \$45,000,000 of mortgages in 1915 originating in the Middle West and West. The State bank commissioner reported that during the preceding six years losses on mortgages had

been sustained not to exceed \$12,000, and "practically all of that was lost through the dishonesty of an agent in the west."⁶²⁴

PROPOSED STATE RURAL CREDIT LAW

In spite of the favorable situation in Iowa regarding farm mortgages, both from the standpoint of the investor and of the borrower, the State was affected by the general agitation for an improved system of "rural credits" which culminated during President Taft's administration in the appointment of a commission to study the rural credit situation in Europe. D. P. Hogan, president of the Farmers Savings Bank of Massena, Iowa, who had been member of this commission, undertook to secure the passage of a bill establishing State farm mortgage banks at the 1915 session of the Iowa legislature. The plan as outlined by Mr. Hogan provided for the incorporation of State farm mortgage banks with capital of not less than \$50,000. Their incorporation was to follow the law for the incorporation of ordinary banks of deposit. Farm mortgage loans made on land worth at least twice the amount loaned thereon were to be deposited with the Auditor of State, upon which security bonds could be issued by the bank. The limit of the bonds so issued was to be twenty times the capital and surplus of the bank. The bill provided for supervision of the loans and bond issues. Bonds were to be in convenient denominations to meet the needs of all classes of investors. Originally the bill provided that the bonds should be tax exempt, but it was later amended to specify that the bonds be taxed.

On March 18, 1915, the bill passed the House by a vote of ninety-six to three. In the Senate the bill met determined opposition. It was amended very decidedly, and finally failed of passage by a vote of twenty to twenty-four. Meantime *The Northwestern Banker* had asked D. P. Hogan, author of the bill, and Henry Jayne, vice president of the Hershey State Bank, Muscatine, to present both sides of

the question of the desirability of the measure. Mr. Jayne's first objection to the bill was that it would destroy accounts in the savings banks, thus substituting for a very successful and sound means of promoting thrift one which he regarded as very uncertain at best. A more serious objection which he raised to the bill was the inadequacy of the provisions for examining and appraising the land upon which the money was to be loaned. He asserted that all that was required was that the property should be appraised by farmer neighbors of the applicant who would not personally assume responsibility for any loss which might occur. The bill itself failed of passage and its provisions, as amended, never appeared in print. If this defect did exist in the degree charged by Mr. Jayne, it would have been easy to amend it in this particular. The defeat of the bill was probably due in part to the general feeling of satisfaction with existing agencies, which made it impossible to get the farmers of the State strongly back of the measure. Its failure may be traced directly to the opposition of the mortgage bankers. This appears to have been the only strong effort to secure State legislation on mortgage banking.⁶²⁵

FEDERAL FARM LOAN SYSTEM

By an act approved on July 17, 1916, Congress established the Federal farm loan system. At the head of the system is the Federal Farm Loan Board, a bureau in the Treasury Department, consisting of four members appointed by the President, with the Secretary of the Treasury a member *ex officio*. The country was divided into twelve districts, in each of which was located a Federal land bank. No State was to be divided between two or more districts, and in fixing the districts it was the purpose of the organization committee to put States with well-recognized farm mortgage securities in the same district with one or more States the value of whose land was not so well stabilized. On that

basis the eighth district was composed of Iowa, Nebraska, South Dakota, and Wyoming with the Federal land bank located at Omaha.⁶²⁶

It was provided that within the district local organizations could be formed of ten or more borrowing farmers known as national farm loan associations. These were the institutions through which loans by the Federal land banks were to be placed. In case no association existed in a given locality the land bank was authorized to appoint some existing State bank as agent in making loans and collecting payments. In addition to the Federal land banks and their auxiliaries, the system provided for joint stock land banks to be independently organized by private individuals but under the supervision of the Federal Farm Loan Board.⁶²⁷

The minimum capital of the Federal land banks was fixed at \$750,000 each, and the act provided that if within thirty days after the opening of the subscription books any part of the minimum capitalization remained unsubscribed it should be taken up by the government. Practically all of the original stock was subscribed by the Secretary of the Treasury on behalf of the United States.⁶²⁸ On June 30, 1919, the government still owned \$570,110 of stock in the Omaha bank.⁶²⁹ Borrowers are required to subscribe to the bank's capital to the extent of five per cent of the loan received. In this way the permanent capital will be secured and the original subscriptions of the government or individuals retired at par. When the subscriptions to capital stock by the national farm loan associations equalled the minimum of \$750,000, twenty-five per cent of all subscriptions made thereafter were applied toward the retirement of such stock.⁶³⁰ The stock held by farm loan associations in the Omaha bank amounted to \$844,820 on December 31, 1918, and on June 30, 1919, it totaled \$1,643,560. In the meantime the bank retired a portion of its original government owned stock, reducing the amount during the six

months from \$710,670 to \$570,110.⁶³¹ It was intended that the banks should be owned by the borrowers coöperatively and that the government subsidy should be but temporary. The provision of the act which placed the Federal Farm Loan Bureau under the Treasury Department saddled the expense of that portion of the system on the public. This feature is of such doubtful expediency that an effort has been made to amend the law to place the expenses of the Bureau upon the banks operating under the system. A bill to this effect was passed by the Senate during the second session of the Sixty-sixth Congress but failed to pass the House so that this subsidy still remains.⁶³²

Loans are usually made by the Federal land banks through the national farm loan associations. These are organizations of ten or more farmers desiring to borrow an aggregate of at least \$20,000. Each member is required to subscribe to the capital of the association an amount equal to five per cent of the amount he wishes to borrow and assumes an additional liability for a like amount. In this way the associations are coöperative societies of borrowers. The principal officers of the association are the secretary-treasurer and a loan committee. The latter must pass on and approve all loans before they are sent on to the land bank for examination. Each land bank has its own appraisers who also pass on the security before it is accepted by the bank. The loan committee of the national farm loan association must be unanimous in its report upon the proposed loan and all sign a written report to that effect. The land bank appraiser must also send in a favorable written report before the loan is granted, the extent of his investigation being prescribed by the Federal Farm Loan Board.⁶³³

The loans through the national farm loan associations may be made only to actual farmers, the purpose being to confine the services of the system to the man who tills the soil and not to extend it to the land speculator. In inter-

preting this part of the act the legal department of the Omaha bank has been very lenient in its rulings. If the land is rented under a proposition which can be construed as a partnership, or if it is operated by a member of the family, it may be construed as coming under the provisions of the law. The minimum loan is \$100 and the maximum \$10,000 to one individual. Critics of the system have pointed out that the maximum limit provision has been evaded by allowing a borrower to give a deed to some other member or members of the family for a portion of the farm so that two or more loans of the maximum amount have been made on what is in reality a single farm. Loans may not be made in excess of fifty per cent of the appraised value of the land and twenty per cent of the insured value of the buildings.

Money borrowed from the Federal land bank may be used only for the following purposes: to provide for the purchase of agricultural land, equipment, fertilizers, and live stock necessary for the proper and reasonable operation of the mortgaged farm; to provide for buildings and other improvement of farm lands; and to liquidate a pre-existing indebtedness.⁶³⁴

Loans under the Federal farm loan system may be made for a term of from five to forty years. The policy of the Federal land banks at the outset has been to encourage long time loans, usually for thirty-four and one-half years. Money borrowed may not be repaid in less than five years even if the borrower should have the funds and desire to do so. All loans must be made on the amortization plan, a certain payment being made each year on the principal as well as the interest payments. To illustrate, a \$1000 loan at six per cent, the maximum rate that may be charged, can be fully paid in twenty years by adding \$26.52 per year to the interest of \$60.00, making a total of \$86.52 divided into semi-annual payments. At five and one-half per cent, the rate at which most loans have been made by the Federal land

banks, the charge would be proportionately less. After the first five years the borrower may make additional payments in sums of \$25 or any multiple thereof at any regular installment date.⁶³⁵

The Federal farm loan act limited the maximum interest rate which might be charged on farm loans by institutions under its provisions to six per cent per annum. During the first months of operation the rate charged borrowers by the Federal land banks was five per cent. Owing to the financial conditions produced by the war the rate was raised early in 1918 to five and one-half per cent and in the spring of 1921 to six per cent. The rates of the joint stock land banks have been one-half per cent higher, six per cent being the prevailing rate in 1919. No commissions are charged the borrower, but the expenses of determination of title, the actual cost of appraisal, legal fees, and recording charges are charged to the applicant for a loan.⁶³⁶

To obtain the funds to make loans beyond the amount of their capital stock, Federal land banks issue bonds secured by farm mortgages not less in aggregate amount than the sum of the bonds proposed to be issued. The mortgages given as collateral are placed in the custody of the farm loan registrar who holds them in his name as trustee. No issue of farm loan bonds can be made without the written approval of the Federal Farm Loan Board. Interest on bonds may not exceed five per cent per annum, they must run at least five years, and be issued in series of not less than \$50,000. The interest rate and other terms are prescribed by the Board under these limitations.

In order to provide a standard security which would appeal to all classes of investors the denominations of bonds range from \$40 to \$10,000. The bonds are held to be "instrumentalities of the Government of the United States", and as such they and the income derived therefrom were made exempt from Federal, State, municipal, and local tax-

ation. At the time of the framing of the act Federal income taxation was relatively insignificant, but with the greatly increased rates of Federal taxation due to the war, this tax exemption feature of the Federal farm loan bonds has made them increasingly attractive to wealthy investors.⁶³⁷

In order to enable the land banks to continue granting loans and not interfere with the sale of Liberty bonds the Secretary of the Treasury was authorized, on January 18, 1918, to buy farm loan bonds to an amount not to exceed \$100,000,000 in each of the fiscal years ending June 30, 1918, and June 30, 1919.⁶³⁸ These operations made the United States Treasury the heaviest purchaser of bonds during the first two years of operation. Some of these bonds were subsequently repurchased by the banks at the purchase price for resale to private investors. Large blocks of bonds have been marketed by investment bankers, apparently chiefly to wealthy investors who wish to escape taxation. A few bonds have been sold by the Federal Land Bank of Omaha direct to Iowa investors. Bonds were offered at 101 $\frac{1}{8}$ and accrued interest, and \$79,350 were sold in this way to Iowa investors during the first six months of operation.⁶³⁹

The Federal Land Bank of Omaha began its operations about March 1, 1917; the president chosen was D. P. Hogan of Massena, Iowa. By October, 1917, loans to the amount of \$3,730,590 had been made, of which only \$138,000 were in Iowa. To encourage the formation of national farm loan associations the Omaha bank advised bankers that it was prepared to contract for the organization of associations, allowing a commission of one-half per cent on the loans approved. Any bank appointed was to serve as secretary-treasurer of the association, and thus eliminate most of the expense for the local organization. Many bankers took advantage of this opportunity.⁶⁴⁰ It gave the banker a reasonable commission and an opportunity to retain control of the farm mortgage situation in his community. At the outset

the number of associations formed varied directly with the prevailing rates of interest on private capital in the various States.⁶⁴¹ This situation seems to have changed somewhat in more recent months. On November 30, 1919, there were 138 associations in Iowa with 2539 members and loans of \$17,995,150. This placed Iowa second to Texas in the total amount loaned within the State by the Federal land banks. The average size of the loans for the country as a whole was \$2637; the Iowa loans averaged \$7087 each.⁶⁴²

JOINT STOCK LAND BANKS

Joint stock land banks authorized under the Federal farm loan act are in some ways independent of the other part of the system and in some ways dependent upon it. They are capitalized with private capital, and all loans are made to the individual borrower either directly or through a local agency. They are freed from many restrictions placed on the Federal land banks. The borrower is not required to be an actual farmer; no restrictions are put on the use he may make of the money borrowed; and the amount of the loan is not limited to \$10,000 as in the case of Federal land banks. The bond issues are also quite distinct. On the other hand, the joint stock land banks depend on the services of the land bank appraisers and farm loan registrar. Loans may not be made above fifty per cent of the valuation of the land and twenty per cent of the insurable valuation of the buildings; these loans must be made on the amortization plan, they may not bear interest above six per cent and they must have a maturity of from five to forty years. Loans made by a joint stock land bank are confined to the State within which it has its principal office and one other contiguous State. Loans are further limited to fifteen times the capital and surplus of the bank.⁶⁴³

Such banks may be formed by any number of persons not less than ten with a capital stock of not less than \$250,000.

They are incorporated by the Federal government on much the same basis as national banks. Stockholders incur a double liability on the stock owned by them. Federal examiners must examine and report the condition of every joint stock land bank at least twice each year. The bonds issued by the joint stock land banks are secured by mortgages in the custody of the farm loan registrar of the district in which it is located.⁶⁴⁴

By November 30, 1919, thirty joint stock land banks had been chartered in the entire country.⁶⁴⁵ The first charter to be issued was granted to the Iowa Joint Stock Land Bank, located at Sioux City, Iowa, with authority to make loans in Iowa and South Dakota.⁶⁴⁶ The First Joint Stock Land Bank of Chicago, and the Lincoln Joint Stock Land Bank of Lincoln, Nebraska, were also making loans in Iowa by January, 1919.⁶⁴⁷ During the early months of 1919 five banks were added to the number previously operating in Iowa. They were located as follows:

The Fremont Joint Stock Land Bank, at Fremont, Nebraska.

The Central Iowa Joint Stock Land Bank, at Des Moines, Iowa.

The Peters Joint Stock Land Bank, at Omaha, Nebraska.

The First Joint Stock Land Bank, at Minneapolis, Minnesota.

The Des Moines Joint Stock Land Bank, at Des Moines, Iowa.⁶⁴⁸

The Illinois Joint Stock Land Bank of Monticello, Illinois, was also authorized to loan in Iowa, but at the latest report had not made any loans in this State. Statistics of the volume of business done by the joint stock land banks in Iowa show that loans of \$23,924,095 had been closed up to May 31, 1920. Practically all of this was outstanding at that date. The volume of business in Iowa alone represented nearly one-third of the total for the entire country. It is in

the corn belt States of the Mississippi Valley that the great bulk of the business of joint stock land banks appears to have been done.⁶⁴⁹

It was expected that private capitalists operating bond or mortgage companies under State incorporation would re-charter as joint stock land banks, thereby taking advantage of the prestige of government supervision and of the exemption of their securities from taxation. This, however, has not been the case to any considerable degree as yet.

The failure of the system to attract private capital in large amounts may be explained in various ways. Certain defects and uncertainties in the law prevented existing institutions from becoming joint stock land banks. In discussing the question before the Iowa Farm Mortgage Association in 1918, E. D. Chassell pointed out five changes which a committee of the Farm Mortgage Bankers Association of America had sought to secure in the law: first, to place the joint stock banks on a par with the Federal land banks by increasing the lending power to twenty times the capital and surplus; second, to raise the maximum interest rate to six and one-half per cent in order to meet war conditions, and to warrant loaning in the territory where higher rates prevail; third, to permit an extension of the territory in which joint stock land banks might operate to the entire United States instead of limiting their operations to two States; fourth, so to amend the law as definitely to protect the capitalist against the possibility of arbitrary political control; finally, to define clearly the right of banks to sell bonds at a premium.⁶⁵⁰

Even if these changes should be made there would still doubtless be many companies which would not care to change their present status. The minimum capitalization of \$250,000 would serve to prevent many Iowa mortgage companies from becoming joint stock land banks, since many of them are at present carrying on a successful business

with a much lower capitalization. Opportunity for rapid turnover of capital is greatly reduced by the Federal system. Under the plan followed by the average mortgage company, there is no fixed relation between the volume of business which they are permitted to do and the capital of the company. Every mortgage is sold outright on its merits and the dealer has no further financial responsibility therefor. Under the mortgage bond plan of the Federal system the capital of the joint stock bank serves as a kind of safety fund for the additional protection of the bond holders. The law, therefore, limits the loans to fifteen times the capital stock of the bank. A successful mortgage company in Iowa reports sales of \$5,500,000 in two years made with a capital of \$100,000, or more than fifty times its capitalization.⁶⁵¹ Bonds issued by the joint stock land banks have usually had a maturity of twenty years. To enable this company to continue its present volume of sales over a period of years would, therefore, require it to multiply its present capital many times.

There are, moreover, certain institutions which are deterred from entering the system because of the unsatisfactory experience of the old debenture companies.⁶⁵² D. P. Hogan, president of the Federal Land Bank of Omaha, has undertaken to meet this argument by charging that the weakness of the old debenture companies was the lack of standardization and government supervision.⁶⁵³ But it has been shown that even where conservatively managed the debenture companies were not able to market the bonds readily at a low rate of interest.

Again, there exists a large class of borrowers who prefer the present plan of straight mortgages, at a flat rate with the privilege of optional payments. Straight mortgages usually bear a somewhat higher rate to the investor than mortgage-secured bonds. The tax exemption feature is of no advantage to educational, religious, and benevolent insti-

tutions whose property is not taxable or to the small saver whose money and credits usually escape taxation. Nor could foreign investors gain anything by this feature. A disadvantage of bonds as an investment for insurance companies is that the market value will be subject to fluctuations, whereas a mortgage does not have a varying market value.

The Iowa Joint Stock Land Bank of Sioux City was organized by the same interests that control the Farmers Loan and Trust Company of that city. Borrowers are thus given their choice of making loans on the amortized plan or on the straight mortgage basis. The old constituency of borrowers and investors can thus be retained. At the outset bankers were in doubt as to whether they could become officers of a joint stock land bank and at the same time retain their other interests. When Charles E. Lobdell, of the Federal Farm Loan Board, assured the members of the Farm Mortgage Bankers Association at the 1917 convention that the Board had "made a final and different construction", his announcement was received with applause. Mr. Lobdell earnestly invited the mortgage bankers of the country to come into the system as joint stock land banks, use it, and help to improve it. He pledged the support of the Federal Farm Loan Board toward securing any reasonable amendment.⁶⁵⁴ The same thing was strongly urged upon the Iowa mortgage men by James F. Toy, president of the Iowa Joint Stock Land Bank, at the 1918 meeting of the Iowa Association. He saw in the law a number of objectionable features but believed they could be eliminated by coöperation.⁶⁵⁵

THE TAX EXEMPTION ISSUE

In spite of these suggestions the Iowa mortgage bankers have continued to be opponents of the Federal farm loan system. Their attack has centered on the tax exemption feature of the law. At the 1918 meeting of the Iowa Farm

Mortgage Association the following resolution was passed: “*Resolved*, That we regard the tax exemption feature of the federal farm loan act as unjust and of a class nature and that Congress should repeal this feature of the law.” This resolution was opposed by some of the members on the ground that it would do no good to pass the resolution and would be regarded as passed in the selfish interest of the mortgage bankers. James F. Toy moved to strike out the paragraph, but upon a division of the house his motion was lost.⁶⁵⁶ Again at the 1919 and 1920 conventions the Association went on record as favoring the repeal of the tax exemption feature.⁶⁵⁷

During the spring of 1919 the mortgage bankers conducted a campaign against the tax exemption feature of the Federal farm loan act. Their propaganda was directed to the bankers of Iowa and was met by strong counter arguments by representatives of the Federal Land Bank. E. D. Chassell, secretary of the Farm Mortgage Bankers Association of America, and M. L. Corey, attorney-registrar for the Federal Land Bank of Omaha, engaged in a warm debate before some of the group meetings of the Iowa Bankers Association. Space was granted them in the June number of *The Northwestern Banker* to set forth their views, and the opinions of the bankers were invited as to the merits of the proposition. Mr. Corey asserted that the tax exemption feature was an essential part of the system and that, knowing this, the farm mortgage bankers were undertaking to kill the system by “tearing out an important piece of the structure.” Mr. Chassell objected to the growing volume of tax-free securities and especially attacked the provisions of the existing law granting these bonds greater privileges than most Liberty bonds.⁶⁵⁸

In August, 1919, a test suit was instituted to determine the constitutionality of the tax exemption of the Federal land bank bonds and the joint stock land bank bonds. The

members of the Farm Mortgage Bankers Association of America, as individuals, raised the fund to instigate the suit, but it was not brought under the official direction of the Association. The case was first heard before Judge A. S. Van Valkenberg in the Federal District Court at Kansas City. At the conclusion of the argument, on October 31st, the court dismissed the bill. The case was immediately appealed to the Supreme Court of the United States, where the hearing was set for January 5th. The Supreme Court submitted the case for reargument on April 26, 1920, but since oral arguments for that term of court closed April 30th, the case had to go over to the October term. The decision of the court was announced on February 28, 1921, sustaining the constitutionality of the entire act.

Pending the final disposition of this case the activities of the Federal land banks were curtailed and the operations of the joint stock land banks were practically suspended. On February 4, 1920, the Federal Farm Loan Board issued an order to the Federal land banks asking them to hold all future applications in abeyance, but permitting them to close the loans already accepted. Since it was impossible to market bonds satisfactorily while the case was pending, the land banks, with the approval of the Board, borrowed money from banks in various cities. These loans were subject to call and secured by farm mortgages as collateral. The loans were made with the expectation that a decision would be reached by the court early in 1920. It was not expected that the commercial banks would furnish long time credit, nor were they in a position to do so in view of the general credit situation.⁶⁵⁹

When the Supreme Court ordered the case reargued the Federal Farm Loan Board sought relief through legislation. Congress was asked to extend the provisions of the act as passed in January, 1918, which had authorized the Treasury Department to purchase not to exceed \$100,000,000 of Fed-

eral farm loan bonds in any fiscal year. The law originally gave this authority only for the years 1918 and 1919. A joint resolution was adopted by Congress authorizing the purchase of such bonds when issued against loans approved before March 1, 1920. Under this resolution the Treasury had available the unused portion of the original \$200,000,000 appropriation amounting to \$64,000,000 for the purchase of bonds. The banks were not, however, placed in a position to make any further loans. No relief whatever was granted to the joint stock land banks. The result was that during the spring of 1920, a season of unusually heavy demand for farm loans, the Federal system was unable to function to any considerable degree. Most of the joint stock land banks adopted the policy of marking time until the litigation was concluded and a few even went into voluntary liquidation. The net mortgage loans of the joint stock land banks increased only from \$54,686,234 on November 30, 1919, to \$77,958,642 on December 31, 1920. During the same period the twelve Federal land banks were only able to increase their loans from \$284,137,419 to \$346,000,000.⁶⁶⁰

It is not within the province of this historical survey to go into the merits of the tax exemption controversy. The problem is complicated because of the two types of institutions operating under the provisions of the Federal farm loan act. Federal land banks are coöperative non-profit making institutions. If bonds are sold at a more favorable rate because of tax exemption, the savings should go to the borrowing farmer in reduced interest rates or dividends on stock in the land bank. Joint stock land banks, on the other hand, are private corporations operated for the profit of the stockholders. There is practically no restriction on the size of loans which they may make and loans may be made to any landowner whether he is a farm operator or not. For this reason the joint stock land banks have been subject to special attack upon this point. A bill was introduced in the

United States Senate to repeal the tax exemption privilege for all bonds issued by the joint stock land banks. The amendment if passed would not have affected the Federal land bank bonds.

War taxation and the issue of Liberty bonds intensified the opposition to tax exempt securities. When the Federal farm loan act was passed in 1916 the rates of the Federal income tax were relatively low. Exemption from State and local taxation was then more important than exemption from Federal taxation. The passage of the war revenue acts, which raised the income tax rates to a high point, put a premium on tax exempt bonds for the wealthy investor. Farm loan bonds were superior in this respect to all but the issues of low yielding Liberty bonds.

Under a uniform general property tax, mortgage taxation involves double taxation of the same property. State laws have in some instances sought to avoid this in their methods of taxing mortgages, but there is no uniformity in the matter. The Iowa law does not allow a landowner to make any deduction from the assessed value of his property because of mortgage indebtedness. A \$50,000 farm is taxed the same, with or without a mortgage standing against it. The holder of a mortgage is also taxed on the full value of the mortgage. Before 1911 the tax rate in Iowa on the mortgage would have been the same as that on other property. The rate on moneys and credits is now a uniform flat rate of five mills on the dollar, or \$5 per \$1000.⁶⁶¹ The incidence of the tax on the mortgage is not certain. The theory of the framers of the Federal farm loan act was that it had been borne by the borrowing farmer in the form of increased interest rates. If all personal property were taxed, this would probably be true. The tax is so widely evaded that probably it is in considerable part a tax on honesty and ignorance. Thus, while exemption from State taxes is still an important advantage possessed by these bonds, their

superiority for the rich investor now lies primarily in the freedom from Federal income taxation.

EFFECTS OF THE FEDERAL FARM LOAN SYSTEM

Too short a time has elapsed to judge as to the probable place which the Federal farm loan system will occupy in the future of the Iowa mortgage business. On May 31, 1920, the aggregate loans made in the State by the Federal Land Bank of Omaha and the eight joint stock land banks operating in Iowa was \$46,956,445. This total represented less than ten per cent of the estimated amount of outstanding farm mortgages but exceeded that of any other State—Texas being second with about \$44,000,000.⁶⁶²

Whether or not the Iowa farmer has secured the advantage of lower interest rates because of the competition of the Federal farm loan system can not be easily determined because of the disturbing influence of the war. On the \$61,152,392 of new loans granted by life insurance companies in Iowa during the first nine months of 1917, the interest rate was 5.18 per cent. This was during the time the Federal land banks were being organized and before their influence was felt. At the outset the rate of the Federal land banks was five per cent. The rates were subsequently raised to five and one-half per cent, and in 1921 to six per cent, and at these rates the insurance companies and other established lending agencies have been able to compete effectively. In other States, even in the eighth district, the situation seems to be entirely different. In Wyoming \$29,400 of new loans were added by the insurance companies to their former total of \$381,462, during the period from January 1, to September 30, 1917. On the new loans the rate was 7.43 per cent; on those in force December 31, 1916, the rate was 7.97 per cent. Insurance companies scrutinize their loans very carefully and accept only the best. It is safe to assume therefore that most of these loans would have been acceptable if made to

farm operators under the Federal farm loan act. Borrowers in that State would be able to effect a saving of about two per cent per annum.

It is the purpose of the system to make interest rates as nearly uniform over the entire United States as practicable. Doubtless such wide variations as formerly existed were unwarranted, but the effort to bring the Iowa and Wyoming borrowers to the same level appears to be contrary to the economic principle of higher interest rates where risks are greater. Before the Federal farm loan system makes very serious inroads on the half billion or more of Iowa farm mortgages it will have to make a rate lower than other loan organizations. A uniform rate will force private capital out of the more hazardous territory into still more active competition in the "favored territory" of the Upper Mississippi Valley States. Only one State, Illinois, had as favorable a rate from the insurance companies as had Iowa in 1917.⁶⁶³ To bring the general interest rate for all mortgages below that now prevalent in Iowa and Illinois would seem to be very difficult indeed. Therefore large opportunity will continue to exist for private capital in the mortgage business in Iowa.

Bankers appear to be unduly alarmed over any form of government competition. When the postal savings bank law was pending the bankers attacked it violently. The same sort of fight was waged on the Federal reserve system, and the most dire results were predicted to follow its establishment. In both cases the fears of the bankers have proved unfounded. In the same manner the mortgage bankers seem to have become unduly exercised over the future of their business in competition with the Federal farm loan system. It would seem desirable so to amend the law as to make the present farm mortgage machinery an effective part of the system. The attitude of criticism by mortgage dealers might well be supplanted by a larger spirit of co-

operation in the interest of securing necessary changes in the law. O. M. Corwin, president of the Farm Mortgage Bankers Association of America, in his annual address at the 1918 convention urged his colleagues to cultivate this spirit.⁶⁶⁴

RECAPITULATION

In the mid-nineteenth century lending on mortgage security appears to have been a large part of the business of the banker. Distinctly commercial banking was first successfully carried on by the State Bank of Iowa, which was prohibited from making real estate loans. The national banks, which succeeded it as the dominant financial institutions in the State, were also prohibited from loaning on real estate security. State and savings banks have not been restricted by law from making farm loans, but in large measure have not found it profitable to tie up funds in long time investment credit. Accordingly the farm mortgage business has been largely handled by other lending agencies.

The established private institutions have met the legitimate demands of the Iowa land owner under fairly satisfactory terms. Instances of the use of "loan shark" methods were not infrequent in the pioneer days, but had become almost, if not quite, a thing of the past by the close of the nineteenth century. Iowa mortgages have been looked upon by investors as a very desirable form of investment security. Losses were practically negligible. From the standpoint of the borrower the terms have been considered favorable. No strong demand existed among Iowa farmers for State or Federal rural credit legislation. The agitation which culminated in the creation of the Federal farm loan system was started on behalf of the farmers in less favored territory. In spite of the recent court decision upholding the tax exemption of Federal farm loan bonds and the joint stock land bank bonds, the mortgage situation in Iowa will probably not be seriously affected.

XIII

SPECIAL TYPES OF BANKING

It is the purpose of the present chapter to consider some of the newer specialized types of banking which have appeared in Iowa. With the exception of the postal savings banks, these institutions are not banks of deposit. They are not under the supervision of the State Department of Banking, although some of them use the name bank or its derivatives in their title. In the future this will be prohibited to new institutions of the same type. For the most part the field of operation within which they confine their business is distinctly defined. The location of these institutions will be shown to be chiefly in the urban centers; the bank in the rural communities, like the general store, serves all the needs of its patrons. In the cities the banks have enlarged their field by creating various departments. Nevertheless there are classes of individuals or types of business which can best be taken care of by specialized institutions.

MORRIS PLAN COMPANIES

A new type of institution which made its first appearance in Iowa in 1916 was established by the Morris Plan companies. The commercial banking system has not in all places been in a position to extend a line of credit to the wage-earner or small tradesman who needed to borrow. The security offered and the size of the loan were such that the city bank could not economically make these loans. Often illness, family misfortune, or the necessity for new tools or equipment are legitimate reasons for borrowing by the wage-earner. Into this neglected field of industrial credit in our cities the dubious pawn broker entered. The

borrower who was without banking facilities but whose position was somewhat above that of the pawn customer resorted to commercial money-lenders who demanded a mortgage on household goods or an assignment of salary. The weapon of these loan-sharks was usually the threat of publicity. Expenses were heavy and profits large so that the money cost of the loan to the borrower often reached a very high figure.⁶⁶⁵ Added to this was the greater cost in loss of independence and self-respect of the patron. The practices of the loan-shark are deplorable, but he has been a necessary evil in some communities where no proper substitute existed.

In 1910 the first Morris Plan company was organized at Norfolk, Virginia, by Arthur J. Morris, a young lawyer who had been an interested student of European systems of industrial credit. This original company was formed with \$20,000 capital to make loans on personal credit. The organization proved a decided success and was soon extended to over one hundred American cities. The Morris Plan companies from the time of their establishment in 1910 to February, 1919, had made about 625,000 small loans, aggregating considerably over \$90,000,000.⁶⁶⁶

In Iowa four companies were in operation on June 30,

TABLE XIII

DATA CONCERNING THE MORRIS PLAN COMPANIES IN IOWA ⁶⁶⁷					
LOCATION	DATE OF ORGANIZATION		PAID UP CAPITAL	LOANS MADE FROM DATE OF ORGANIZATION TO JUNE 30, 1921	
				NUMBER	AMOUNT
DES MOINES	Feb.	18, 1916	\$ 100,000	11,387	\$ 2,453,821
WATERLOO	April	16, 1916	60,000	6,240	1,048,881
CEDAR RAPIDS	Nov.	14, 1916	92,200	6,358	1,088,975
DAVENPORT	Apr.	30, 1917	60,000	2,494	904,078

1921. The location of these companies with the principal facts concerning them are given in Table XIII.

The Industrial Finance Corporation was organized in February, 1914, to centralize and standardize the Morris Plan movement. This corporation owns about twenty per cent of the capital of the operating companies, it holds the copyright to the Morris Plan name and various other expressions necessary to the operation of the plan. It assists in the organization of new companies, sells the right to operate the Morris Plan, instructs the managing force in the operation of the new company, furnishes forms and other items of equipment and exercises a coöperative supervision over all of the different companies.⁶⁶⁸ The result is that companies of this type use the same name and have made use of the distinctive black diamond, with the words "The Morris Plan" thereon, in their signs, and engraved on all stationery and advertising circulars. Their general methods are also practically the same in all cities.

At the second annual convention of the managers and representatives of the Morris Plan companies, held in New York City in October, 1916, there was organized a National Association of Morris Plan Bankers. Its purpose was to promote the national development of the Morris Plan system and to give the managers the advantage of personal acquaintanceship and interchange of ideas.⁶⁶⁹

New developments of the Morris Plan include an insurance department which was started in 1917, known as the Morris Plan Insurance Society and organized under the New York State laws. By the payment of a small fee a borrower is enabled to carry insurance to cancel his debt in the event of his death, and also to return to his family the amount previously paid toward the liquidation of his loan. The insurance society had written 22,245 contracts by December 31, 1918, but had not done any business in Iowa up to that date. In February, 1919, the officers of the Indus-

trial Finance Corporation reported that it was then seeking a license to operate in Iowa. A still more recent development is the Morris Plan of retail trade acceptances. Details of this new feature of the system are not available, but it is expected to be of assistance to people of small means who desire to make purchases on the installment plan.⁶⁷⁰

Loans by the Morris Plan companies are made on the basis of character as security. They do not accept pawns, chattel mortgages, or salary assignments as security for loans. The note given must be signed by two co-makers, in addition to the borrower, who are willing to vouch for the character of the borrower and become responsible with him for the repayment of the loan. It is maintained that the system reduces the risk of the co-makers to a minimum because of the thorough investigation made of the borrower's character and ability to repay the loan when due. It is the policy of the companies to loan only when satisfied of the ability of the borrower to meet the loan, not relying generally on the credit of the co-makers. The method of installment payments and the well-organized follow-up system when the borrower becomes in arrears in his weekly payments strengthen the position of the co-makers.

The manager of the Cedar Rapids company reports that thousands of dollars of endorsements are made by merchants to the amount of their bills. Should a man owe the grocer \$25, the fuel dealer \$25, the doctor \$25, and some other creditor \$15 he is constantly worried by bills he can not pay and is harassed by collectors to no one of whom he dares give preference. The Morris Plan company will accept the endorsement of these various creditors, limit the liability of each to the amount he receives, and mail each one a check for the amount of his bill. The debtor has a clean slate, his obligation is in a form where he can meet it in two dollar a week installments. Should he default on his payments the endorsers are not worse off than formerly

since they have the same opportunity as before to recover from the debtor.⁶⁷¹

The process of making a loan and repaying the same are standardized for all associations and for loans of all sizes. For every \$50 loan, or part thereof, the borrower agrees to buy an investment certificate of the company and assign it to the company as security for the loan. He is then required to make weekly payments on the certificate. Neglect to make the weekly payment promptly subjects him to a fine of five cents on each \$50 certificate subscribed. The loans are made on a one year basis, repayable in fifty installments. When the fifty payments have been completed the full-paid certificates are surrendered to the company and the note cancelled.

Interest at six per cent per annum is deducted in advance. An investigation charge of \$1 is made on each \$50 borrowed, but not to exceed \$5 on the loan. In the case of a \$100 loan, therefore, the borrower would receive in cash \$92. He is required to begin, one week later, weekly payments toward the repayment of the loan. No interest is allowed for the deposits then made. The managers of the plan liken these deposits to the balance ordinarily kept in the bank by the commercial borrower. As a matter of fact the cost of the loan to the borrower is considerably over six per cent when there is added the investigation cost, and the loss of interest on his savings. The advantage of regular repayment is, however, of no inconsiderable weight. Theoretically the borrower might secure his loan from a commercial bank, assuming his credit to be good, and accumulate a fund with which to repay it by weekly deposits in an interest bearing savings account. In such a case the cost would be less than through a Morris Plan company. Practically, however, the Morris Plan provides a scheme of repayment that is adapted to industrial needs and is sure to result in liquidating the loan when due.

In addition to loans based on character and earning power as security, loans are also made on certain accepted forms of collateral, which includes those forms which would ordinarily be accepted at a commercial bank. The Waterloo company lists full-paid investment certificates of the Morris Plan companies, savings bank accounts, securities listed on the New York Stock Exchange, and Liberty bonds as acceptable classes of collateral. Out of 1904 loans made by the Cedar Rapids company to December 31, 1918, it appears that 434 were based on collateral and 1470 were endorsed by co-makers.⁶⁷²

Before granting a loan the Morris Plan companies determine the reason for borrowing. The facts shown in Table XIV were compiled from the records of the Cedar Rapids and Waterloo companies.

Miscellaneous and business debts will be seen to lead the

TABLE XIV

REASONS FOR BORROWING FROM THE MORRIS PLAN COMPANIES OF WATERLOO AND CEDAR RAPIDS ⁶⁷³		
	WATERLOO	CEDAR RAPIDS
SICKNESS	31	137
DEATH	2	18
BIRTH	20	
MISCELLANEOUS DEBTS	517	1185
BUSINESS DEBTS	60	230
HOME IMPROVEMENT	8	34
BUYING HOME	5	18
TAXES	12	44
MORTGAGE AND INTEREST	2	20
LOAN SHARKS	22	42
EDUCATION	3	8
VACATION	4	7
BEGINNING HOUSEKEEPING	3	13
BUYING COAL	9	128
LIBERTY BONDS	117	
BUYING CAR	3	
INSURANCE	6	16
CHRISTMAS		4

list. Evidently the Waterloo company encouraged patrons to borrow in order to buy Liberty bonds. In Cedar Rapids the results of the efforts of the fuel administration may be observed from the large number who borrowed to lay in their winter's coal supply. Sickness has been an important cause of borrowing. A considerable number of persons seem to have used these companies to escape from the toils of the loan-shark. A more detailed and intimate knowledge of the reasons for borrowing would furnish an interesting study.

The list of occupations of the borrowers from the Cedar Rapids company classes laborers first and skilled mechanics as a close second. Salesmen, owners or partners of a business, clerks, teachers, civil service employees, professional people, foremen, managers, and housewives are classed as borrowers. The nationality of borrowers was predominantly American, with Bohemians ranking second; the latter may be explained by the fact that they are the dominant foreign element of the city. As to amounts borrowed the most common were \$50 or \$100, these two representing 631 and 629 of the loans respectively. The largest loan granted by the Cedar Rapids company was \$2000. Of the borrowers 782 owned real estate; 1542 had dependents; 1631 were men; and 273 were women.⁶⁷⁴

The losses sustained by the Morris Plan companies are remarkably small. Although the data for the Iowa companies are not available it may be observed that the general experience of Morris Plan companies shows a surprising degree of safety. It has been demonstrated that with prudent management the average losses will not exceed one-fourth of one per cent. The Morris Plan company at Washington, D. C., loaned in two years about \$750,000 to 4000 borrowers, and sustained only one loss amounting to \$60. The statement of condition of the Cedar Rapids company, as of December 31, 1918, had a reserve for losses of only

\$388 against loans of \$107,612. This company is conservatively managed and had at the time over two years experience upon which to base its estimate of losses, so this sum probably indicates fairly well the proportion of its losses.⁶⁷⁵

Ownership of the capital stock of the Morris Plan companies is divided between local investors and the Industrial Finance Corporation of New York City on the basis of about seventy-five per cent and twenty-five per cent respectively. The Iowa companies are backed by the best business interests of their respective cities. These men look upon the institutions partly from a sociological and philanthropic point of view. The companies if successfully managed, however, pay good dividends to the stockholders. The Des Moines company in 1918 netted seven per cent; and the Cedar Rapids company earned over six per cent. The executive officer of a company is known as the secretary-manager. He has charge of making loans, keeping the records, receiving installments, and carrying out the policies of the directors.⁶⁷⁶

Morris Plan companies in Iowa are organized under the general incorporation laws of the State. They are not required to make reports or subject themselves to State regulation. At the 1919 session of the General Assembly, however, an act was passed which permits domestic corporations engaged in making small loans to deserving persons, under terms similar to those of the Morris Plan companies, to come under the jurisdiction of the Auditor of State. If they elect to come under State regulation the corporations are to file reports of condition before January 15th of each year and are also to be subject to examination at the discretion of the Auditor. If, as a result of the reports and examinations, the Auditor is satisfied with the good faith of the corporation he is to issue to it a certificate to that effect. This would be official recognition of the standing of these institutions and would also entitle them to a more equitable rate of taxation. They are to be taxed on the net actual

value of their moneys and credits at the rate of five mills on the dollar. The law was approved on April 5, 1919, but no reports were to be submitted before January 15, 1920.⁶⁷⁷

The Morris Plan companies are not alone in making industrial loans. Thus the Davenport company reports that there are three or four loan companies in that city doing a good business.⁶⁷⁸ These companies take chattel mortgages and in general do not carry on the business in the same manner as the Morris Plan companies. Perhaps some of them will find it advantageous to come under the provisions of the recent law and thus secure State recognition. The standardization of the Morris Plan banks and their unique method of making loans marks them as a distinctive type of loan companies. Moreover, the nature of their business is such that they do not compete with the commercial banks. In Cedar Rapids officers or directors of the majority of the city's commercial banks are represented on the directorate. The field for institutions of this type is limited to the larger cities or industrial centers so that their number will probably never be large in Iowa, but their usefulness may be expected to grow.

FARM CREDIT CORPORATIONS

During the summer of 1921 a new corporation was launched in Iowa as a means of aiding in the financing of Iowa agriculture. This corporation was promoted by representatives of the bankers and farmers, working primarily through the Iowa Bankers Association and the Iowa Farm Bureau Federation. It was founded to meet the unfortunate experiences of the farmers in the post-war deflation period. It is not, however, a temporary makeshift, but a permanent institution. Other corporations of the same type may also be formed if the conditions seem to demand their establishment.

The purpose of the institution is to create capital for

agricultural loans varying in length from sixty days to a year or even longer. A farmer may make direct loans from the corporation or he may borrow through his local bank. It is to make advances on grain stored in licensed warehouses, on wool warehouse receipts, for cattle feeding, and for other purposes. Funds to be used for this purpose beyond the original capital will be raised by the sale of the company's bonds or debentures. The plan itself is new, but the principle is not; it is modelled after the Edge Act, passed by Congress for the purpose of financing foreign trade.

In order to make it possible to operate legally under the plan contemplated it was first necessary to secure the passage of certain laws. The program was supported in the legislature by the organizations of bankers and farmers. Subject to the approval of the Superintendent of Banking, State banks, savings banks, and trust companies were authorized to invest ten per cent of their capital and surplus in foreign trade financing corporations under the Edge Act and ten per cent in domestic agricultural corporations of the type under consideration. In no event, however, could the aggregate so invested exceed twenty per cent of the capital and surplus of the bank. These laws were necessary in order to enable banks to be stockholders in the new corporation.

The provisions of the general incorporation law limiting the indebtedness of corporations were so amended as not to apply to a corporation having \$1,000,000 or over of paid-in capital in case the indebtedness was secured by obligations such as this organization would hold. This enables such a corporation to issue its own debentures or bonds up to any limit when properly secured. On warehouse receipts the farmer may borrow from his local bank seventy-five per cent of the market value of the commodity. Such paper properly endorsed by the bank can be used by the finance

corporation as a security for bonds or debentures for one hundred per cent of its actual value. For cattle feeding the loan may amount to eighty per cent of the value of the live stock but such obligations can be used as security for bond issues by the corporation only up to ninety per cent of their full value. This seems to be the only legal limitation on the ratio of bonds to capital.

Another important law, necessary in order to make it possible for this corporation to function fully, was passed providing for bonded warehouses and storage of agricultural and other commodities. Loans on grain or wool will be made to farmers when the commodity is stored in a licensed elevator or warehouse.⁶⁷⁹

The Iowa Farm Credit Corporation is the pioneer organization under the new laws. Its articles of incorporation were filed on June 8, 1921. The authorized capital is \$5,000,000; but at the outset only \$1,000,000 of stock will be sold. It is planned to apportion the stock geographically and distribute it as widely as possible. Stock subscriptions are limited to \$10,000 for any person. Banks have been urged to buy on the assurance that banks which are stockholders will receive first consideration among applicants desiring to borrow money or rediscount with the corporation. Farmers were circularized and urged to buy on the argument that it is "the farmers of this state for whom it is primarily organized to serve."

Control of the Iowa Farm Credit Corporation is vested in a board of thirty directors equally representing farming and banking. It is intended that these directors shall be widely distributed throughout the State. To this end it is provided that there shall be one farmer and one banker from each of the eleven districts created by the Iowa Bankers Association in its State-wide organization. In addition there are eight other directors at large. The first President is L. A. Andrew of Ottumwa, retiring President of the Iowa

Bankers Association; the first Vice President is C. W. Hunt, President of the Iowa Farm Bureau Federation. Frank Warner, Secretary of the Iowa Bankers Association, has been made Executive Secretary and F. G. Redfield, Treasurer. Included in the list of officers and directors of the Iowa Farm Credit Corporation are other equally prominent bankers and farmers.

The place of this type of institution in the financial organization of Iowa has not yet been demonstrated. That commercial banks are sometimes unable to meet the local demand for credit was amply demonstrated during the crisis of 1920. By means of this financing plan combined with the warehousing plan now made possible, the period of marketing of farm products can be lengthened and a more orderly marketing program can be secured. The character of this agricultural paper is such as to make it eligible for rediscount at the Federal reserve banks when it has a maturity of not over six months. Two reasons may be advanced for adding to the rediscounting facilities thus afforded through the Federal reserve system: paper of longer maturity may be taken care of; and less than one-fourth of Iowa's banks are now members of the system and the non-members can not directly avail themselves of the rediscount privilege.

The plan seems well calculated to serve its purpose of making capital available to Iowa farmers. The debentures issued will have as security the capital stock of the company, the farmer's personal obligation, the warehouse receipt, or chattel mortgage, and the commodity represented thereby, and the endorsement of a bank when loans are placed through the local banks. Investors would seemingly regard this as an attractive type of paper. The pioneer company's soundness and stability is best evidenced by the list of promoters. The organizations of bankers and farmers have given it their support. Although organized primarily to

serve agriculture, it is expected to be a substantial company with fair earnings.⁶⁸⁰

AUTO LOAN COMPANIES

A specialized banking service for financing the wholesale and retail sale of automotive vehicles has recently been instituted in Iowa. In October, 1917, the first corporation of its kind in the State was organized in Des Moines. The commercial banks were not equipped with the credit and collection machinery necessary to handle certain classes of deferred payment paper given for the purchase of automobiles or trucks. It was to meet the demand for a specialized institution, prepared to handle this type of business, that the pioneer company was organized. Other companies have since been formed which conduct their business along the same lines. The original companies financed the sale of new cars, but with the growing volume of sales of used cars there have been companies formed which specialize in this phase of the business. Morris Plan companies also make loans for the purpose of buying service cars and trucks.

A retail transaction is financed by these companies by having the dealer sell the vehicle under conditional sale contract which, with the note representing the deferred payments, is assigned to the mortgage corporation. The endorsement of the dealer is required on the note, thus making all deferred payment paper two-name. This makes the note very suitable for purposes of rediscounting or for use as collateral. The service of the companies usually includes the furnishing of insurance against fire, theft, and collision. This protects the customer and also the company. For its own protection the company has each vehicle covered by a wrongful conversion bond. In this way the company is protected against nearly every contingency which might result in loss.

The cost of the service is added to the cash price of the

car and is therefore borne by the purchaser. He is required to pay down thirty-three and one-third per cent or more of the purchase price of the car in cash and the balance in monthly installments, which keep pace with the depreciation of the car. The dealer receives his full one hundred per cent of the selling price as soon as the transaction is completed. He is obliged to endorse the buyer's note, but the purchase contract protects him from loss in case the purchaser defaults in his payments. The buyer receives the necessary financial accommodation which enables him to purchase a car at once. To be sure, the insurance which is included adds to the cost of the car, but a prudent buyer wants this protection even where he pays cash for the car. The cost of the credit extended is not shown separately in the rate sheets, but the service includes the cost of credit machinery and monthly collections, which in addition to reasonable profit make it necessary for the companies to charge a rate materially above the usual bank interest rate.

The usual plan of the companies for securing funds in addition to their own capital is the sale of collateral trust notes to commercial banks or individuals having surplus funds to invest. Every \$1000 of collateral trust notes is secured by \$1200 of the two-name automobile paper deposited with the same bank or trust company as trustees. Notes are offered in denominations of from \$1000 to \$10,000 at discount rates that yield six per cent to seven and one-half per cent to the bank which buys them.⁶⁸¹

These auto-loan companies have operated in Iowa for too short a period to furnish much basis for judging as to their future place among Iowa's financial institutions. Whether or not they will sustain themselves in periods of business adversity has not yet been demonstrated. The large number of automotive vehicles sold annually in the State would seem to offer a good field for their operations but as a matter of fact only a very few are in operation. During the

past few years most of the automobile manufacturers have provided plans for financing the sale of their cars on a deferred credit plan of their own, thus largely eliminating the need for specialized banking institutions for this purpose.

CATTLE LOAN COMPANIES

Iowa's corn crops have been responsible for placing the State among the leading meat producing Commonwealths of the Union. The cattle feeding industry has necessitated a large amount of borrowing by farmers and stockmen. For the most part the cattle paper in Iowa is handled by the commercial banks, but there are a few specialized institutions in the State known as cattle loan companies. Such companies are not peculiar to Iowa, but may be found in other meat producing sections. Usually these are large companies located in the leading packing centers, prepared to loan to the big stockmen and cattle feeders.

During the recent years Iowa and Illinois have been far in the lead of other States in corn production, Iowa's crop with a five year average (1914-1918) of 368,200,000 bushels being slightly in excess of that of her sister State.⁶⁸² A considerable proportion of Iowa's corn crop is marketed in the form of beef and pork. In number of cattle on farms on January 1, 1917, Iowa ranked second to Texas, and in number of hogs had more than double the total of Illinois, the State next to her.⁶⁸³ Many of the cattle on Iowa farms have been brought into the State ready to go into the last stage of corn feeding prior to their sale as finished beef. The cattle feeder, especially in the western part of Iowa, goes into the Sioux City and Omaha markets, or directly to the range and pasture country farther west, where he buys up mature steers, which after from three to six months feeding are ready for market. Usually he has corn and other feed on the farm sufficient to carry the cattle through to maturity. But in most cases he has to borrow the money to purchase

the feeders; frequently, loans of one hundred per cent of the cost price are made. Cattle loans of this type can be classed as prime commercial paper because of their safety and their very liquid character. In most cases the loans are from ninety days to six months. At the expiration of that time the cattle will be marketed and the note paid. In spite of panics or wars, a cash market for beef cattle has always been maintained in the chief packing centers. According to a representative of John Clay and Company, a leading commission firm engaged in marketing cattle, ninety-six per cent of cattle loans were paid at maturity during 1914, when loans made on stocks and bonds had to be continued.⁶⁸⁴ Prices on beef cattle do not fluctuate widely over short periods, and the losses to the farmer from disease, even during an epidemic such as the foot and mouth disease, are very small.⁶⁸⁵ The losses sustained on cattle loans are almost negligible when credit is extended judiciously. The Knorpp Cattle Loan Company of Kansas City has not had a loan become overdue in its experience of several years. Losses of the St. Joseph Cattle Loan Company on over \$70,000,000 worth of loans amounted to only 0.00043 per cent; the St. Louis Cattle Loan Company has had an even more favorable record.⁶⁸⁶

Until within the past decade no specialized cattle loaning companies had been incorporated in Iowa: local banks made the loans direct, and when the seasonal demand was heavy secured an outlet for their excess paper through their correspondent banks. In 1913 the Sioux City Cattle Loan Company was organized in connection with the Live Stock National Bank.⁶⁸⁷ This seems to have been the pioneer company in Iowa; but by 1919 at least four other companies were either operating or in process of organization.⁶⁸⁸ The loaning area of these companies is not confined to Iowa but includes Nebraska, South Dakota, Montana, and Wyoming.

The two principal types of cattle loan companies are the

independent companies and those affiliated with a State or national bank. An illustration of the latter type is the Sioux City Cattle Loan Company. There are certain advantages for a national bank to have an affiliated cattle loan company handle this class of business. In the first place the legal limit which a national bank may loan to one individual is ten per cent of the capital and surplus. Loans made by the Sioux City company run from \$1500 to as much as \$200,000—many of them larger than the legal limit of the affiliated national bank. Moreover, it is not necessary to keep a cash reserve in the cattle loan company. A further advantage to the bank is that it furnishes a convenient source from which to secure investment paper whenever the bank has surplus funds; at other times the paper can normally be sold to outside investors. The benefit to the allied cattle company is that it lowers the cost of operation when the two institutions use the same quarters, and the prestige of a strong bank attracts business.

The business of the cattle loan companies is primarily that of a broker for this class of notes; and the company keeps on hand paper about equal to its capital and surplus. The Sioux City Cattle Loan Company is capitalized at \$200,000. In August, 1919, it had outstanding loans amounting to \$3,500,000; at seasons when the demand is heavy the amount increases. Loans of the cattle loan companies are largely made through the country banks at rates current in the respective localities. These loans are secured by chattel mortgages, and the condition of the cattle is checked up from time to time by inspectors working in the loaning areas. Cattle notes are endorsed by the loan company and sold to investors in the financial centers, principally the large banks in the east. The rediscount rate is usually about two per cent less than that charged the borrower. The overhead expenses, reserves for losses and profits of the company are made from this difference in discount rates, or broker-

age. Large loans are frequently divided into several notes for easier marketing. Collection is made by the cattle loan company.⁶⁸⁹

During 1920 and the early months of 1921, the financial conditions of the country generally have been such as to make it difficult for cattle loan companies to operate. They are limited by Iowa law to charging interest not in excess of eight per cent. Interest rates have been at such a high level that no paper could be marketed at a rate sufficiently below this to allow the necessary "spread" to cover expenses of operation. Consequently, activities have been practically suspended for some months.

In July, 1921, a nation-wide loan pool to provide facilities up to \$50,000,000 was announced. Representatives of eastern banks provided \$25,000,000 and the western bankers subscribed an equal amount. Loans are to be placed through the cattle loan companies and through local banks. The Iowa cattle loan companies hope through this agency to dispose of some cattle paper and thus resume loaning operations.

In Iowa the economic service of cattle companies varies largely with local conditions. Increased meat production is very desirable—not only directly but indirectly—in that it aids general food production through better fertility of the land when the grain and rough feeds are fed on the farm. The interests of the cattle feeder and his family are broader than those of the exclusive grain farmer. Trips to the markets to buy feeders and to Chicago or other packing centers with the fat cattle as they go to market give the stock farmer valuable contacts with outside commercial life. The farmer who feeds cattle has year round employment instead of spending his winter months in wasteful loafing. Any institution, therefore, which promotes the production of sheep and cattle renders the community an economic service.

But whether or not these companies are necessary to handle the feeder loans in Iowa depends upon the alertness of the local bankers. In 1898 G. L. Tremain gave an address before the Iowa Bankers Association on "Cattle Paper". He explained the advantages of cattle as security, and asserted that financial journals and capitalists were just waking up to the merits of the same. He stated that he had been loaning money from his bank at Humboldt on cattle paper for twenty years without loss. His security was always a chattel mortgage or bill of sale. Within Mr. Tremain's recollection of events in Iowa, cattle were considered such poor security for a loan that "a man could not borrow \$20 on all the cattle in this county".⁶⁹⁰

Ida County furnishes an illustration of what can be done toward financing the live stock industry locally when the bankers are alert. This is one of the smaller counties of the State with only five towns, the largest of which in 1915 had a population of only a little over 2000.⁶⁹¹ From January 1 to May 15, 1918, the feeders of Ida County shipped to the various markets about 1300 carloads of fat stock valued at fully \$2,500,000. All of this business was handled by the local banks which cater to the livestock business. In that community chattel mortgages are not taken on cattle except from an inexperienced tenant, or some one who is rather badly involved financially. Most of the real cattle paper does not run over 120 days and is, therefore, available for rediscount in the Federal Reserve Bank.⁶⁹² When these banks have encountered difficulties in connection with the statutory limits on loans of ten or twenty per cent of the capital and surplus to one individual they have found an outlet for the excess paper through their correspondents. The statements of condition of three savings banks in the town of Battle Creek (population 688 in 1915) for June 29, 1918, show aggregate loans of approximately \$1,500,000. This, however, is the season when cattle loans would be at

a minimum.⁶⁹³ Here the bankers have learned the advantage of financing the cattle industry and have profited thereby.

There are other communities of the State, however, where cattle loans are still frowned upon by local banks. In a town near Battle Creek, a banker recently reported that he had only \$80,000 in local loans while he was carrying over \$200,000 in outside paper.⁶⁹⁴ In such a community cattle feeding might be promoted by improved credit conditions supplied by a cattle loan company. Another service of these Iowa companies consists in making stock loans in the States of the range and pasture area. The Sioux City Cattle Loan Company loans to stockmen of South Dakota, northern Nebraska, and some portions of Montana and Wyoming, on sheep as well as cattle.⁶⁹⁵ This territory is tributary to Sioux City and "may legitimately look to her banks for capital to develop the livestock industry. Other Iowa companies also may find their field of operation in part outside the State. In this outside field they must meet the competition of numerous other companies, the number of which has been increasing rapidly in recent years. With the large volume of feeder loans in Iowa and a share of the stocker loans in adjacent States, Iowa companies should be able to employ considerable capital profitably.

INVESTMENT BANKING

Although investment banks are among the prominent banking institutions in the financial centers, they have not developed to such an important place in Iowa. Until quite recently there has been little surplus capital within the State for investment in bonds or other securities. There has been, however, a place for institutions equipped to buy and sell the bonds of cities, counties, and school districts. In part these securities have been bought by investment banking houses outside of Iowa, chiefly those located in

Chicago. The greater part of the municipal issues in Iowa, however, are now financed by Iowa investment institutions.⁶⁹⁶

Iowa has had practically no funded State debt, the amount in 1913 being only \$10,937. But the indebtedness of the counties and minor civil divisions has been considerable and is rapidly increasing in recent years. In 1880 the total amount, less sinking fund assets, was \$7,592,332; in 1890 it was \$11,025,384; in 1902 it had increased to \$17,390,375; and during the following decade it more than doubled, totaling \$35,069,386 at the time of the Federal census report on wealth, debt, and taxation in 1913. The distribution of this between the civil divisions was twenty-seven and three-tenths per cent county, sixty-three and one-tenth per cent municipal, and nine and six-tenths per cent independent school districts. As to the county indebtedness the major portion was for drainage and road bonds. The percentage devoted to school purposes was considerably more than the nine and six-tenths per cent separately reported, for the obligation in cities over 2500 on account of schools was included in the city debt.⁶⁹⁷

The oldest and best known investment banking institution in Iowa is George M. Bechtel and Company of Davenport, with offices also in Chicago, and New York. This company was organized in 1891, and since that time has financed improvements in practically every municipality and school district of Iowa.⁶⁹⁸ Schanke and Company, investment bankers of Mason City, have operated in Iowa since about 1900, and appear to have been the second of the well-recognized institutions to be established.⁶⁹⁹ It is impossible to determine accurately the number of the Iowa companies and their volume of business. Some companies devoting a part or all of their time to the purchase and sale of securities have adopted the title "Investment Bankers" and can be identified as such. Among the larger companies some are incor-

porated under Iowa law and others are unincorporated. The investment houses do not accept deposits and, therefore, do not come under the general banking laws of Iowa or the supervision of the State Department of Banking. Under the circumstances definite data regarding investment banking are very difficult to obtain.⁷⁰⁰ In 1919 the Iowa legislature passed a bill which, while aimed primarily at private commercial banks, was so framed as to prohibit any institution not under national or State supervision from using the word banker, or any derivative thereof, in its title.⁷⁰¹ This does not apply to banks already established, but will cut off any new investment institutions from the right to use the name "investment banker".⁷⁰²

Securities handled by the Iowa investment banks consist largely of government and municipal bonds of various classes. Corporation securities are handled in only a limited way. None of the companies from whom reports were secured are members of any stock exchange.⁷⁰³ The officers of one company report that they supply customers with securities listed on any of the exchanges if they desire. Usually bonds are bought outright and disposed of later. Some of the companies handle bond issues on a commission basis or serve as correspondents of other investment companies. Sales are made to private investors, banks, endowed institutions, and other bond houses. Private investors appear to be the largest purchasers. The selling territory of the older companies is from coast to coast, one company reports a large clientele in California.⁷⁰⁴

In addition to institutions carrying on the business of investment banking, as it is commonly understood, some individuals or companies handling loans, insurance, or real estate have taken the title "Investment Bankers" for the sake of the prestige that they secure in this way.⁷⁰⁵ It is not uncommon either for the larger companies to broaden the range of their business somewhat by dealing in farm

mortgages, acting as note brokers, guaranteeing titles, or engaging in other side issues. The term investment banker, therefore, does not have a standard meaning in Iowa and the number of firms doing strictly investment business is very limited.

Efforts to secure estimates as to the volume of business handled by the Iowa companies have been unsuccessful. Geo. M. Bechtel and Company report annual investments of from twelve to fifteen million dollars. Schanke and Company's sales were estimated at about ten millions, but this includes a large volume of farm mortgage business. At the end of the first year of business the Bankers Mortgage Company of Des Moines had done a little over six million dollars of business and had expectations of greatly enlarging this as the sales force increased.⁷⁰⁶ It is clear that the total volume of sales of bonds and securities is considerable in the aggregate. The highway law, enacted in 1919, permits the counties of Iowa to issue bonds in order to pave the primary road system of the State.⁷⁰⁷ Of the fourteen counties which first voted to accept Federal aid for hard surfacing the primary roads, six authorized bond issues to carry on the work at a faster rate than provided for by current receipts from the annual primary fund allotment. Bond issues authorized in these six counties aggregated \$10,250,000.⁷⁰⁸ The extent to which other Iowa counties will vote bond issues for this purpose can not be determined until all the special elections for this purpose have been held. Doubtless road building and other public improvements will greatly increase the total indebtedness of the counties and other minor civil divisions of Iowa in the future. The volume of business of the investment banks will be correspondingly increased. A large market is also developing in Iowa for corporate securities. Investment banks will serve the needs of clients for this class of investments. Indeed, it seems that investment banking, carried

on either by separate institutions or as a department of commercial banking, will have an increasing field in Iowa.

POSTAL SAVINGS BANKS

One further type of banking carried on in Iowa is that conducted through the postal savings banks. The postal savings bank system is not a product of Iowa law, nor is it peculiar to this State. Ordinarily postal savings banks are not numbered among Iowa's banking institutions; nevertheless, in a study of this kind it seems advisable to devote some attention to the system. Its history in Iowa can not be considered, however, apart from the national movement. For this reason it will be necessary to outline very briefly the postal savings bank system as a whole, but wherever possible with special reference to Iowa conditions. In so far as they can be obtained, statistics of the number of depositors and the volume of savings within the State will also be presented.

As a result of the panic of 1907 the Republican party in the presidential campaign of 1908 went before the country in support of postal savings. The opposing plank in the Democratic party platform was one for a system of guarantee of deposits in all banks. Depositors had become frightened during the panic and popular distrust of banks continued so strong as to induce both political parties to support some measure offering relief for the timid depositor. Forty years of agitation, during which time scores of bills for the establishment of postal savings banks had been introduced into Congress, had failed to win support enough for such a measure to secure its enactment into law. Nor can the Republican victory of 1908 be interpreted as evidence of a strong demand for postal savings banks. But in order to redeem the party pledge, the Republican majority in Congress secured the passage of a bill creating the postal savings bank system, which was approved by President Taft on June 25, 1910.⁷⁰⁹

In Iowa there had been very little demand for postal savings banks. Losses due to bank failures during the panic had been nominal, and in most parts of the State there had been no suspension of payments by the banks. Banks were easily accessible in all sections of the State, and in industrial cities they were opened Saturday evenings to cash pay checks and receive deposits. Bankers in Iowa generally were opposed to the system, fearing that it would withdraw money from the regular savings accounts. Moreover, there was a fear that funds collected in Iowa would be withdrawn from the State for the purchase of government bonds or for deposit with the general treasury funds. It was also feared that the presence of postal savings banks would encourage timid depositors to withdraw their funds from banks in times of financial stress to deposit at the post office.

As a matter of fact the gloomy outcome feared by opponents of the measure has not been experienced. There is no evidence that postal savings banks have been competitors of the savings banks. The low interest rate of two per cent paid on deposits has not been sufficient to induce depositors to withdraw their money from the banks, since the latter pay interest of four per cent in most Iowa cities. The postal savings bank act of 1910 limited an individual's deposits to \$100 in any calendar month and to \$500 as a total, exclusive of accumulated interest. These restrictions were expected to confine the use of the system to small depositors and also to protect banks against withdrawals of heavy sums in time of panic. After six years of experience the \$100 monthly limit on deposits was removed entirely by an act approved on May 18, 1916. At the same time the maximum amount which any depositor might have to his credit was raised from \$500 to \$1000 with the privilege of an additional \$1000 without interest.⁷¹⁰

Provision was made for the redeposit of the money received in postal savings accounts in the local banks. After

1914 member banks of the Federal reserve system were given preference as depository banks, but the list still includes many non-member banks. On June 30, 1917, postal savings funds were held by 3486 national banks, 1274 State banks, 242 savings banks, 568 trust companies, and thirteen "organized" private banks.⁷¹¹ Funds so deposited are secured by approved bonds of the United States, States, municipalities or counties, and farm loan bonds. Bonds to the amount of \$189,842,746 were held by the United States Treasurer on June 30, 1918, as security for postal savings funds deposited in the banks.⁷¹² As a matter of fact, the banks have not lost savings accounts owing to the competition of the postal savings system, but through the system have received the use of money at a lower rate than they are in the habit of paying.

The records show that the total deposits in the postal savings banks of the United States on June 30, 1916, were \$86,019,885. Deposits a year later were \$131,954,696, an increase for the year of fifty-three and four-tenths per cent.⁷¹³ The competition of the war savings stamps, which were also sold at the post offices, and the demands upon all classes to buy Liberty bonds reduced the percentage of increase during the following year to about twelve per cent. The total deposits on June 30, 1918, were \$148,471,499; on June 30, 1919, the total was \$167,323,260.⁷¹⁴ The only available statistics for Iowa compiled separately are as of June 30, 1916. There were then in Iowa 268 postal savings banks, 3155 depositors, and total deposits of \$527,000. Iowa was far below the average of the States in the per capita deposits. The general average for the United States was eighty-three cents per capita; in Iowa it was twenty-four cents. Taking the country as a whole, there was one depositor for each 172 persons; in Iowa there was only one in 705.⁷¹⁵

An analysis of the postal savings statistics explains these

facts. The cities and towns having large per capita deposits are industrial communities, the depositors being largely those who work for a daily wage. To them the post office is a familiar place, its hours are convenient, and they have confidence in its security. The foreign-born population is especially attracted to the post office as a savings bank.⁷¹⁶ They have been accustomed to the postal savings banks in the land of their birth and have frequently been exploited by immigrant banks upon arrival in America. In 1916 sixty per cent of the depositors were foreign born, and this sixty per cent owned three-fourths of all the deposits.⁷¹⁷ In Iowa there are few industrial centers, and here the regular savings banks have appealed especially to the foreign born. In the cities which possess a dominant foreign element, the banks issue advertising in the language of the immigrants, employ clerks who can talk with them in their own tongue, and in other ways seek to make them regular customers of the banks. The splendid record of safety of the Iowa banks has also doubtless contributed to inspiring confidence in the banks, while the disgraceful "immigrant bank" is almost, if not quite, unknown in this State. The reasons which have accounted for the failure of postal savings banks to make considerable inroads into the business of the banks of Iowa seem certain to be of equal importance in the future.

XIV

BANKS AND THE COMMUNITY

The relations of the banks of Iowa to the communities in which they are located do not differ materially from those of neighboring States. A discussion of the economic functions and services of banks in the community will, therefore, necessarily include much that is commonplace to the experienced banker or close student of banking theory and practice. Nevertheless, for the sake of the general reader, the author regards it as desirable to undertake a classification of banking functions with special reference to the business and economic conditions of Iowa. This chapter will include an analysis of the banking functions, a summary of some of the community services of the banks, an account of the effect of increasing community service upon the popular attitude toward banks, an explanation of the unusual number of banks in Iowa, an estimate as to the distribution of ownership of the banking institutions, a partial record of the profits received by banks for the services rendered, and a statement of the methods used in attracting additional business. The discussion will be confined primarily to the functions of the general or commercial banks. The place of specialized institutions has been covered in the chapters devoted to these types of banking.

PRIMARY BANKING FUNCTIONS

The essential functions of the commercial bank are ordinarily considered to be three—discount, deposit, and issue.⁷¹⁸ Of these the first two are indispensable for any bank; the third, when narrowly limited to note issue is no longer regarded as equally important. Added to these primary functions are certain secondary features which are

also quite important in general banking. Among these may be mentioned: providing domestic and foreign exchange, facilitating investments, serving in a fiduciary capacity, and engaging in a safety deposit business. In addition to these banking functions the banks perform many important business functions and general community services.

Receiving Deposits:—The first service which a bank renders to most individuals is that of receiving money on deposit. This may begin at a very early age in the individual's life. Through school saving clubs, Christmas clubs, and other means the number of children using the banks as a place for the safe deposit of money has become considerable. Many adults also use the banks chiefly as a place of deposit of money, either in a savings account or a current checking account. In providing a safe place for the deposit of money the banks stimulate productive saving and prevent hoarding. The bank serves as the financial middleman between saver and borrower, thus directly aiding production. Small rills of saving are brought together which in the aggregate add enormously to the productive power of society.

It is not possible to state the exact amount of total deposits of Iowa banks because of the failure to secure reports from the private banks. On December 31, 1919, the deposits in savings banks, State banks, and trust companies aggregated \$654,253,531.⁷¹⁹ In October, 1919, the national banks reported deposits of \$258,277,000. It is safe to assume that if the deposits of private banks had been included the total deposits in Iowa banks at the close of 1919 would have been approximately \$1,000,000,000. A much higher figure was reached in 1920 but by the summer of 1921 all of this advance had been lost and the figure reduced even below the 1919 amount. The reports do not show totals of savings deposits separately but this class constitutes a large proportion in the country banks of Iowa. National banks paid

a total of \$6,616,000 in interest upon their deposits in 1919.⁷²⁰ In a western Iowa town of approximately 700 population, three savings banks reported deposits of \$1,-844,727 on June 30, 1920. Of these deposits over \$1,250,000 were in time certificates of deposit and savings accounts.⁷²¹

The stimuli which banks offer to the saver are safety of the principal and a return in the form of interest. In respect to the former, Iowa banks have been shown to have an enviable record. No absolute guarantee is given the depositor, but careful supervision of banking is exercised primarily on his behalf.⁷²² The result is that very little hoarding occurs in the State and little anxiety is shown for the safety of the bank deposits.

Interest rates paid on savings accounts in Iowa banks are from three and one-half to five per cent, the prevailing rate in most Iowa towns being four per cent. In western Iowa a considerable number of country banks pay five per cent on time deposits. The Federal Comptroller has undertaken in some years to ascertain the average rates paid on time deposits by all banks. His records for 1909 show that all reporting banks in Iowa averaged 3.95 per cent. By classes these were: national banks 3.88 per cent, savings banks 3.67 per cent, State banks 4.01 per cent, private banks 4.01 per cent, and loan and trust companies 4.00 per cent. In 1915 the average rates were somewhat higher, ranging from 4.10 per cent for the savings banks to 4.25 per cent for private banks and trust companies. In both cases these reports are unofficial and incomplete, but they represent a large number of banks and are therefore about as satisfactory as can be obtained.⁷²³

Most Iowa banks do not pay interest on individual checking accounts. Banks in the reserve cities allow interest on the daily balances of the reserve accounts of correspondent banks. The State law also specifies that interest of at least two and one-half per cent per annum on ninety per cent of

the daily balance must be paid on certain public funds deposited in the banks.⁷²⁴ It appears, however, that this requirement is not rigidly enforced by the minor political units, where the balance is so small as to make the interest almost negligible.

Charges are made in a few Iowa cities for handling small checking accounts. The rule is to impose the service charge on all accounts having an average balance below a certain fixed minimum, usually about \$100. This practice appears to be confined to a limited number of cities, principally those designated as reserve centers.⁷²⁵ Because of the encouragement which they have always felt should be given to the small depositor, many bankers deem it inexpedient at the present time to impose a service charge even on accounts which are known to be unprofitable. They regard the stimulation of deposit banking as one of the services which they owe to the community. Moreover, the bank recognizes many potential profits in accounts now too small to be profitable. It seems unlikely, therefore, that Iowa banks will generally adopt the practice of making service charges.

Issue of Circulating Media:—In the early days of Iowa banking the issue of bank notes was a very important banking function. It was the abuse of this privilege that caused the extreme prejudice against banks manifested in the mid-nineteenth century. Later most of the regulation of banking was devised for the protection of the note holder. At present State banks do not issue any notes. National banks continue to issue notes and all member banks of the Federal reserve system play a part in bringing into existence the Federal reserve notes.⁷²⁶ On the whole, however, the note-issuing function has become of subordinate importance in commercial banks during the past half century.

The chief form of circulating medium furnished by banks to-day is deposit or check currency. Banks receive deposits

of money and also create deposits by making loans; all such deposits may be transferred by means of checks. In 1909 Professor David Kinley, investigating for the National Monetary Commission, found that approximately ninety per cent of all payments in the United States are made by checks.⁷²⁷ It has been commonly stated by writers on economics and finance that bank notes and specie are still used very extensively in the rural sections of the country. This situation certainly does not exist in Iowa at the present time, although it seems to have been true a generation ago.

The writer's boyhood was spent on a western Iowa farm and his first memories date back to the mid-nineties. In those days the farmer made most of his payments in coin or bills, the silver dollar being an important element of the medium of exchange, since bills of less than \$5 were practically unknown. What a cause for wonder and amazement to the small boy was the leather wallet and its contents carried by the farmer-manager of the neighborhood threshing outfit! Into its greasy depths went the money collected from the farmers to settle the threshing bill. A peep at its contents was enough to convince us youngsters that it contained fabulous sums of real money. To-day the collections for a similar outfit consist almost entirely of checks on the local banks. A banker of that community canvassed the situation in 1919 and could not find a farmer in the township who did not have a banking connection. He expressed the opinion that not a farmer in the county would be found who did not call some bank "his bank".

Iowa farmers issue checks large and small in payment of local bills or for the settlement of out-of-town obligations. Through their correspondent banks or through the facilities afforded by the clearing system of the Federal reserve banks, Iowa banks have made their customers' checks readily acceptable at par in all domestic payments.

In furnishing the three forms of media of exchange—

national bank notes, Federal reserve notes, and deposit currency—the banks make it possible to transact an enormous amount of business with a relatively small amount of actual specie. The use of gold and silver, chiefly the former, is thus greatly economized. Moreover, bank notes and checks are more convenient for the user. By a few strokes of the pen a check can be issued in any amount. Since it passes only by endorsement it is relatively more safe as well as more convenient than coin.

Discounting Commercial Paper:—The discounting of commercial paper or making loans is perhaps the most difficult and important of a bank's various functions. A modern bank has been quite aptly described by one authority as a "manufactory of credit".⁷²⁸ It is sometimes assumed that a bank merely loans the money paid in by its stockholders and received from depositors. As a matter of fact only a portion of the credit, which the bank issues to borrowers either as notes or deposit credits, is obtained in this manner. The bank "manufactures" credit by the process of discounting commercial paper. Business credit is not available in liquid form, but bank credit which may circulate in the form of deposit currency is widely acceptable. An important function of banking is, therefore, to loan its credit to producers in the community pending the sale of products or the realization of cash upon contracts. In so doing it "creates" deposits amounting to many times the actual specie of the community.

An illustration of how the bank creates deposit credits by its loaning process will simplify the explanation. A borrower seeks a discount at the bank for a \$1000 note. Ordinarily the bank, if willing to extend the loan, will deduct the interest and credit the borrower with the balance (say \$980) of the amount. This credit is a deposit which may be drawn at the pleasure of the borrower. He may withdraw

the entire amount at once but seldom, however, would this be the case. Usually the borrower transfers his credit by means of a check to some other person to whom he has a payment to make. He in turn may either deposit it in the bank or convert it into cash as suits his convenience. Normally large transactions of this kind may take place without the intervention of any actual money.

In order to be able to meet the probable demands of his depositors, however, the banker must keep on hand a certain amount of cash. This amount is called the reserve and is proportionate to the deposits. The right proportion to maintain will vary with seasonal and local conditions and can only be learned by experience. State law in Iowa fixes minimum limits upon the amount of such reserves—fifteen to twenty per cent against demand deposits depending upon the size of the city—but in this matter legal requirements can not be substituted for sound business judgment. A cash reserve large enough to meet all probable needs, under varying credit conditions, and yet not so large as to reduce the possibility of making legitimate profits for the bank is the goal of the prudent banker.

Loans may be made by discounting notes, drafts, or acceptances bearing the endorsement of the manufacturer or wholesaler. In recent years an effort has been made by the Iowa bankers to promote the use of trade acceptances. A committee on trade acceptances was appointed by the Iowa Bankers Association to represent Iowa on the American Trade Acceptance Council in 1917-1918. At the 1918 convention of the State Association a resolution was passed endorsing trade acceptances and urging bankers and trade organizations to bring about their general use.⁷²⁹ It still remains true, however, that most of the country banks of Iowa loan on single-name promissory notes.

The prevailing type of loans will depend upon local conditions. Since Iowa is predominately an agricultural State

the valuable business is that of the farmers in all but the few larger cities of the State. This appears to be increasingly the case. An experienced banker states that during his connection with the banking business a marked change has taken place in the relative position of the farmer borrower. Fifteen or twenty years ago the town merchant was looked upon as the desirable customer whose line of credit was always good; now it is the farmers' accounts which are most diligently sought after.

Considerations of the question of rural credit usually separate the problems of mortgage credit and personal credit. The agencies engaged in supplying farm mortgage credit in Iowa have already been described. The Iowa farmer with integrity and ability has no problem of securing personal credit even when his capital is limited. Bankers are especially keen to assist capable young men to start farming realizing that in a few years they will probably be valuable customers of the institution. Short-time loans are made to the farmer for various purposes, one of the most popular types being those made for cattle feeding. These loans are usually liquidated in from ninety days to six months. They are usually made by the bankers without any chattel mortgage or lien on the livestock, but the losses are practically negligible and many bankers testify to the desirability of this class of paper.

Interest rates charged on loans are relatively stable. The extreme fluctuations of the call money market are not found in the Iowa banks. In recent years commercial loans have been made at rates varying from six to eight per cent. The credit condition during and following the war have forced rates in all of the banks to practically eight per cent, the maximum permitted by law.⁷³⁰ On mortgage loans the rate is as low as six per cent.

The Federal reserve system, by its rediscount facilities, makes it possible for a member bank to render its commun-

ity the maximum of service. As long as a bank can make profitable loans covering self-liquidating commercial transactions, it may continue to do so and look to the Federal reserve bank to rediscount its paper. Added resources are thus made available to the community which it serves. As yet this privilege has not been used very widely by banks in the smaller communities but in some instances this has been done successfully.⁷³¹ Bankers are beginning to realize that the old idea that rediscounting is a sign of weakness can no longer be sustained in view of the facilities available at the Federal reserve banks.

SECONDARY BANKING FUNCTIONS

The banks of Iowa serve the communities in various ways which, while important, may be classed as secondary banking functions. Of these we shall consider investment service, selling domestic and foreign exchange, acting in a fiduciary capacity, and engaging in the safe deposit business.

Investment Service:—Strictly investment banks are not numerous in Iowa. Therefore the commercial bank's activity has included the providing of safe investment securities for such of its customers as have accumulated enough to want a permanent investment. It may not seem consistent for a bank to maintain a savings department and at the same time provide facilities through which the investor may withdraw his savings from the custody of the bank. This seems to be particularly the case where the banker does not receive any compensation for the assistance given the customer in selecting and placing his investments. On the other hand it is certainly not consistent for banks to stimulate and safeguard individual savings and then leave the investor to deal unassisted with unscrupulous promoters and blue sky artists.

Experienced bankers have found that many savers will accept quite readily a return of four per cent on their savings until they have accumulated several hundred dollars. When this amount is at hand they desire to invest in bonds, stocks, or mortgages yielding a somewhat higher return. When the customer knows that the banker will assist him in such investments he turns to him for advice and coöperation. Then it is that the conscientious banker seeks to guide the investments of his client. It has been estimated that \$200,000,000 were spent in Iowa in the months immediately following the close of the war for blue sky stock, much of which was worthless and proved a total loss to investors.⁷³²

Bankers individually and through the instrumentality of the Iowa Bankers Association have sought to discourage this waste of capital and promote sound investments. One way in which this has been done has been by assisting customers in making their choice of securities. The banker who has ignored the request of a patron for help in converting his savings account into a permanent investment has often contributed indirectly to the promotion of wild-cat flotations. By giving their assistance many bankers have built up the confidence and good will of their customers, and have been instrumental in retaining a considerable balance in the savings account. The saver usually does not care to find an investment which will take care of the last penny in his savings account, but is often satisfied if he sees the major portion thereof converted into permanent investments yielding a higher rate of return.

Providing Domestic and Foreign Exchange:—Iowa banks are not called upon extensively to provide foreign exchange for their customers but most of them are in a position, directly or indirectly, to serve their communities in this way. Buying and selling domestic exchange was one of the important functions of the early Iowa banker and one from

which he derived a considerable amount of profit. During the past generation the personal check has been largely substituted for the bank draft in settling out-of-town obligations. In order, however, for a bank to be in a position to make remittances on its customers' checks, it is necessary for it to maintain accounts with correspondent banks or become a member of the Federal reserve clearing system. All Iowa banks are now on the Federal reserve par list, but even before the inauguration of this system exchange charges had largely been eliminated.

Fiduciary Services:—Under the Iowa law as it stands now all classes of banks are authorized to act in the capacity of trustee, executor, administrator of estates, or guardians. A considerable number of Iowa banks have qualified to act in this capacity and have established a distinct trust department. In addition to those which have made a specialty of this feature other banks generally stand ready to help their clients in these matters. Bankers often urge patrons, having property to dispose of, to make a will and thus direct its disposition while living. Usually the banker does not undertake personally to draw the will, but suggests the retention of a lawyer for this purpose. In some cases, however, the banks advertise that they are prepared to have the will drawn in legal form and urge the selection of the bank as executor.⁷³³

Safety Deposit Business:—An incidental function of the modern bank which is of growing importance is caring for the valuable personal property of its patrons. City banks have established special safety deposit departments with elaborate vaults which are equipped to care for money, deeds, mortgages, wills, bonds, insurance policies, and other valuable documents. Jewelry and silverware are stored during the absence of the owners on vacation trips and

some banks have even provided for summer storage of expensive furs. The typical country bank of Iowa has rendered an equivalent service, often without cost to the customer. In its vault there are usually provisions made for keeping the valuable papers of its patrons, the larger customers being assigned individual boxes and those having less business being handled in a general file.

This service has recently been considerably extended, due to the sale of war securities. In order to protect the interests of their customers, hundreds of whom had not formerly owned valuable securities, the banks agreed to care for the Liberty bonds bought by their patrons. This has involved the additional labor of caring for the same and also in some cases the banks have gone so far as to protect their customers by carrying additional burglary and fire insurance, at their own expense, to cover these securities.⁷³⁴

GENERAL COMMUNITY FUNCTIONS

In addition to strictly banking functions Iowa banks carry on many business and community welfare services for the benefit of individual customers and also of the community as a whole. These may be subdivided into business services, agricultural services, and general welfare activities.

Business Services:—Among the services of a general business nature which banks render to the community is the establishment and maintenance of a high standard of banking and commercial practice. An early English author placed among the important services of a bank the effect it has upon honesty and punctuality in pecuniary engagements of the community in which it is established.⁷³⁵ This remains an important phase of banking service, especially in the rural communities. In many instances the commercial practices of the farmer or small town business man are

learned largely from his dealings with his banker. Laxness about paying obligations promptly when due has been a serious fault with many farmers. The banker definitely undertakes to improve this situation.⁷³⁶

In this connection the banks have rendered a distinct service by assisting their patrons in better accounting methods. Very few farmers keep accounts, hence the bankers have coöperated in efforts to promote better accounting methods. In 1921 the Agricultural Committee of the Iowa Bankers Association reported that over 92,000 farm record books had been purchased in the preceding four years from the Iowa State Agricultural College by Iowa banks for the use of their customers.⁷³⁷

In more recent years banks have increasingly called upon their customers to furnish financial statements when applying for a loan. The Federal reserve banks have requested member banks to secure financial statements from borrowers wherever possible if the paper is to be rediscounted by the Federal reserve bank. The necessity for making income tax returns has also contributed to the development of better accounting methods.

Another business service which the banks render their patrons is in urging them to carry adequate insurance to protect themselves against loss of property or provide for their families in the event of premature death. Often the banker in a small community is himself an agent for various insurance companies. In that case it is a matter of commissions as well as service which prompts him to see to it that his customers are carrying the proper amount of insurance. Again it may be a precaution taken to protect the bank's own interest where a loan is made to the individual. But in many cases the banker suggests the desirability of insurance where he has no personal end to gain.

A further function of the banker is to encourage the development of new commercial enterprises in a community.

He aids in building up his local community by attracting new capital to the support of local industries. In the small towns he renders a valuable service by doing his part to keep capable young men at home. By pointing out business opportunities and aiding with adequate credit he can often overcome the lure of the city.

Banks have always served their patrons by assisting them with their tax problems. The bank receives payment of local taxes and thus saves its customer the necessity of making a trip to the county seat solely to pay taxes. In recent years the banks have also been called upon to render a large service in connection with the Federal income tax. Iowa has not had a State income tax, hence the problem of computing taxable income is a new one for most of its citizens. Bankers have done all they could to assist in these problems. In January, 1920, an Income Tax Short Course was conducted at Iowa City under the direction of the Iowa Bankers Association and the State University of Iowa. About 600 persons, chiefly bankers, registered for the course.⁷³⁸

Agricultural Services:—In addition to the general business functions there are certain special services which the bankers render to agriculture, the dominant industry with which most of them come in contact. In the interest of better farming the bankers have backed the movement for county agents and farm demonstrators. With the purpose of developing better farmers the bankers have fostered the work of the boys' and girls' clubs. Prizes have been offered by the Iowa Bankers Association and also by individual bankers for statewide or local contests in grain raising, at live stock shows, and at other agricultural exhibitions.

In 1915, in coöperation with the Iowa State College at Ames, the "Iowa boys' corn contest" was promoted by the Iowa Bankers Association. The boy raising the best acre of corn in Iowa was given a free trip to the Panama Exposi-

tion. Again, in 1917 the agricultural committee was active in coöperating with the work done at the State College. A two-year course for farm boys was endorsed, the "acre yield contest" was supported, and a \$25 prize was donated for the best exhibits of alfalfa made at the annual show of the Iowa Corn and Small Grain Growers Association.⁷³⁹

Promotion of live stock raising and feeding is another phase of the banker's contribution toward better farming. This is accomplished primarily by furnishing proper credit for the purchase of cattle for feeding purposes. The banker often restrains the inexperienced cattle feeder from plunging in too heavily after a single season of successful feeding operations. The attitude of local bankers toward the live stock industry is an important factor in its development. Soil fertility is maintained, crop rotation is practiced, and a better type of farming is thereby promoted.

In some communities the banker has endeavored to combat the evil of farm tenancy by encouraging absentee land owners to sell their farms and helping the tenant farmers solve the credit problem. There are many agencies ready to accept first mortgages up to approximately fifty per cent of the selling value of the land. But a recent survey of conditions in a typical Iowa community showed that the average net worth of tenants was only about eleven per cent of the average investment per farm.⁷⁴⁰ In view of this situation the banker undertakes to assist tenant farmers in securing an additional twenty-five to forty per cent of the purchase price.

Farm sales are important business events of the rural community during the winter months. Some of these are closing out sales of men who are retiring from farming or moving to another locality; others are stock sales for the purpose of disposing of surplus breeding animals. The two important officials at these sales are the auctioneer and the clerk. The latter position is filled by the cashier or

other official of the farmer's local bank. The clerk not only keeps the record of the sales but makes the entire settlement. He must know the buyers, must be able to decide offhand how much credit to extend to them on a promissory note, and be prepared to look after all details of the settlement.

COMMUNITY WELFARE FUNCTIONS

In the educational field Iowa bankers have been especially active in movements to improve the rural schools of the State. The Iowa Bankers Association has supported the movement for consolidated schools and has coöperated with the Superintendent of Public Instruction to secure sound legislation for this purpose. Individual bankers will be found active on the local school boards, library boards, chautauqua committees, and other agencies for educational betterment.⁷⁴¹

The good roads movement has also received the support of the bankers, a special committee of the Iowa Bankers Association having been regularly appointed for this purpose. In 1915 a resolution was passed favoring hard-surfaced roads paid for by bond issues, with assessment according to the special benefit received. Similar legislation was urged the following year, but when the United States entered the World War the committee advised postponement of such action and the utilization of all available resources for the task of winning the war. In 1919 the Association coöperated with other organizations and individuals to secure the passage of legislation to improve the primary road system of the State.⁷⁴²

Quite apart from their organized efforts on behalf of the community the bankers are often called upon personally to serve the various educational, philanthropic, religious, and social organizations of their town. When electing a treasurer for a college, a school board, a library association, a church, a community chautauqua, a Fourth of July com-

mittee, or a village ball club, the choice is more likely than not to be a banker. This service is usually undertaken by the banker as his contribution to the community welfare. Among the boosters for public improvements of all kinds—electricity, sewerage, water, pavement, municipal playgrounds—the local banker usually takes a leading part. Bankers can and have done something toward encouraging the building of better farm homes with more conveniences for the housekeeper.

WAR ACTIVITIES

An example of the public spirited service of the bankers was given by their part in the bond campaigns during the World War. In the first bond campaign the organization already established by the Iowa Bankers Association was used in directing the sale of bonds.⁷⁴³ Each of the eleven groups of the Iowa Bankers Association had an "agricultural committeeman" and in every county there was a "county agricultural chairman". This agricultural committee organization was the working basis through which the Federal Reserve Bank carried on its organization.⁷⁴⁴ In the later campaigns the sales were handled by the organization set up by the Federal Reserve Bank of Chicago, but the Iowa Bankers Association coöperated throughout all of the selling campaigns.

In the actual floating of the loans the bankers of the communities were especially called upon to help. They distributed circulars and application blanks, received subscriptions, transmitted the money to the Federal reserve banks, converted bonds, paid the interest coupons, and otherwise acted as fiscal agent for the government. For this service the banks received no compensation, not even the franking privilege for correspondence in connection with the collection of the bond installments. They were put to considerable additional expense in carrying on this work, for which they received very little tangible return.

The banks purchased bonds on their own behalf and took their share of the treasury certificates of indebtedness. They usually made arrangements to permit purchasers of bonds to pay on a weekly or monthly installment basis extending over a longer period than the Treasury plan allowed. Bond buyers were granted more favorable interest rates than the usual commercial terms when it was necessary to borrow in order to buy, and liberal credit was granted by many bankers to the bond purchasers for the purpose of encouraging the purchase of Liberty bonds.⁷⁴⁵

The service of the bankers in the sale of war bonds has been summarized by N. R. Whitney as follows: "Indeed it may truly be said that no group of men and no organization in Iowa can claim a greater share in the glorious achievement of the State in the bond campaigns than can the bankers of this State, and it should be added that among the bankers are included the various bond houses and bond salesmen who devoted their time and energy often without any compensation and often at a loss to themselves in helping to sell the war bonds."⁷⁴⁶

In the matters of preparedness and support of the government's war activity the bankers have been very emphatic. At the 1916 convention of the Iowa Bankers Association a resolution favoring preparedness was passed. In 1917 the resolutions cited with apparent pride the success of the Liberty loan and the part played therein by the bankers of Iowa. Loyalty and continued service to the government was pledged at that time and a \$5000 subscription to Liberty bonds was made by the Association. The published proceedings of the 1919 convention contained an honor roll of 747 names of men from Iowa banks then serving directly with the colors. In this list were found the names of four bank presidents, three directors, ten vice presidents, seventy-three cashiers, two hundred and eighty-two assistant cashiers, and three hundred and seventy clerks.⁷⁴⁷

CHANGE IN THE POPULAR ATTITUDE TOWARD BANKS

The bankers of a generation ago did not undertake to serve the welfare of the community to the same degree that the modern banker now does. Often the bankers adopted an attitude of coldness toward their customers and aloofness from the business interests of the community. They were apparently afraid to trust the people and take them into their confidence. As a result there was rather widespread prejudice against banks and bankers in most communities.

An interesting account of the former attitude has been given by Henry Meyer, a former Iowa banker, who relates his experience on this point as follows: "In the olden days a banker was a 'God with a bell on' in his town. People that had any banking to do came to him and he dictated the terms. I remember very well when in '83 Governor Larabee asked me to take charge of the First National Bank at Elkader when I had had no banking experience. I asked him to give me some pointers and the first one he gave was not to ask anyone to do business with me, because in soliciting such the bank was placing itself under obligations to a possible customer and when asking for an accommodation it would perhaps be harder to say 'no' than otherwise."⁷⁴⁸

One of the earliest problems engaging the serious attention of the Bankers Association was how to combat the popular prejudice against banks. In his address of welcome to the second annual convention Mayor Osborne of Spirit Lake referred to the misunderstanding on the part of the public toward the banker. He said that the epithets "robber" and "usurer" are not uncommonly hurled at the banker. President G. L. Tremain, in his response, recognized the existence of this distrust and suspicion when he referred in one place to the demagogue who "will yet harangue the voters of his district and point with alarm to the meeting of Iowa bankers at Spirit Lake."⁷⁴⁹

The existence of this popular distrust was noted again in 1889 by Mayor P. Mullally of Cedar Rapids. "The banker", he declared, "in the popular opinion of a large class of persons, is considered cold and repellant, grasping and unsympathetic, anxiously seeking opportunity to hold as his own that which belongs to another; that he is unceasingly weaving a web of innumerable though almost imperceptible claims on his customers' influence and business for the purpose not altogether mutual in their advantages; that his social exterior and advances are as one who angles cautiously that his net may be well-filled."⁷⁵⁰ He asserted that the opinion, while not a fair estimate of bankers as a class, was, however, true of many bankers. At this same convention there was under discussion a motion to appoint a legislative committee. The suggestion was opposed by some members on the ground that it would throw suspicion on the Association. J. H. Branch, the President, concluded his remarks by saying, "and that there shall not be anything to add to the odium already resting on bankers."

Again, in the fourth and sixth conventions this problem was confronted. A delegate raised the question as to how best to reduce the prejudice of the common people against banking interests and made this significant remark: "We are . . . at war with the farmer and the farmer with us". Calvin Manning of Ottumwa, vice president of the Iowa National Bank, explained this prejudice as the result of political agitation. He believed it could be counteracted if dealt with in a proper business way. In 1897 Mayor Wm. McNett of Ottumwa again brought up this question. He attributed the existing prejudice to the policy of isolated and independent action long pursued by the banks. He believed that sound banking principles were fundamental, and that by taking the people into his confidence the banker could destroy the influence of the demagogue.⁷⁵¹

The policy pursued by individual bankers and by the Iowa

Bankers Association has followed the direction suggested by Mayor McNett. As a result, the suspicion and prejudice against banks, which existed even as late as the close of the nineteenth century, has practically disappeared. This has resulted in the almost universal use of the banks by the people of Iowa; especially has this come to be the case in the agricultural sections.

ACCESSIBILITY OF BANKS

Perhaps the most distinctive feature of Iowa banking is the large number of banks, especially in relation to the population of the State. This in itself would appear to be evidence of the fact that banks in Iowa are generously supported by the people.

For at least eleven years Iowa has led all States in the total number of banks. In 1910 Iowa had a population of 2,224,771, ranking fifteenth among the several States. In 1920 the population was 2,404,021.⁷⁵² Recent statistics place the total number of banks in Iowa at from 1915 to 1930, depending on just what institutions are included. This gives approximately one bank to every 1250 persons.

No single explanation is to be found for this unusual number of banks. Obviously the banks must command the patronage of practically all members of the community. A further explanation for the strong banking position of the State is to be found in the high per capita wealth of the citizens. In 1912 the per capita estimated value of all property in the United States was \$1965. The per capita wealth of Iowa was nearly double that of the average for all of the States, being \$3539.⁷⁵³

The large volume of rural business tributary to the small towns of the State seems to be the explanation for the establishment of such a large number of banks. The larger cities of the State are well supplied with banking institutions but the vast majority of Iowa banks are of necessity in small

towns. In 1915 there were 893 incorporated municipalities in Iowa. Fifteen of these were cities of the first class, having a population of 15,000 or more; ninety were cities of the second class, having a population of 2000 but less than 15,000; 788 were incorporated towns. Of the latter 103 had more than 1000 population; 220 had between 500 and 1000 population and 465 had less than 500 inhabitants.⁷⁵⁴

These small towns, a large percentage of which have less than 1000 inhabitants, are the location of a large number of Iowa's numerous banks. For instance the town of North Liberty, near Iowa City, had a population of less than 200 in 1915 but reported two live banks in 1918.⁷⁵⁵ Battle Creek was a town of 688 population in 1915; the three banks of the town had aggregate resources of \$2,453,167 on June 30, 1920.⁷⁵⁶ Even small unincorporated places sustain in some instances one or more thriving banks which sometimes do considerable business.

The ability of these small towns to support banks is a source of surprise to many persons not accustomed to the Iowa situation. It must be remembered that banks can be established in Iowa with a minimum capital of \$10,000, hence many of these banks are small institutions. But, as in the case of Battle Creek, the banking capital and resources are often far more than might be expected in such small towns. The banks find a large demand for loans in financing the agricultural operations in the territory tributary to the towns. By offering liberal interest on savings, for instance five per cent at Battle Creek, the banks are able to attract a large volume of savings deposits.

As a result of this large number of banks competition in the banking business is very keen. For the most part it is clean competition and brings to the communities the maximum of service from the banks. Banks are accessible to all the people of the State and stand ready to assist in the development of their respective communities.

OWNERSHIP OF THE BANKS

An important factor in enlarging the place of the banks in the community has been the increasing proportion of incorporated banks with wide diffusion of ownership of the bank's capital stock. Ordinarily the bank is not an independent business institution owned by men who are unassociated with other industries and commercial undertakings. It is still true that private banks are owned and operated by one man or a small number of partners whose sole business is that of banking. Where an incorporated bank has succeeded a private bank the same situation often prevails in a modified degree. The banker associates with him a number of the successful business men of his community but he retains the controlling interest in the institution. Under these circumstances he is the president of the bank and its active manager, devoting his whole time to the banking business. This same situation may even exist where the institution begins business as an incorporated bank at the outset. Often, however, the principal stockholders, including the president, are men active in other lines of business. Active management is then intrusted to the cashier, a salaried executive.

Reports published by the banking department do not furnish any information concerning the distribution of ownership of the banks of the State. A representative bank with a capital of \$100,000 has at present ninety-four stockholders.⁷⁵⁷ The \$35,000 capital stock of a country bank was subscribed by forty persons no one of whom held more than twenty-five shares.⁷⁵⁸

Stockholders are nearly always customers of the institution, hence wide distribution of stock gives the bank a substantial group of regular patrons. In some instances a bank which wishes to enlarge its capitalization offers the entire block of new stock to men outside of the existing group of stockholders. By this means new customers have

been brought into the bank. At times the same thing has been done for the purpose of preventing the formation of a rival institution.

It appears that banks located in the small towns are largely owned by the farmers of the community. No statistical data can be presented on this point, but the conclusion is supported by the opinion of representative Iowa bankers. H. T. Blackburn, President of the Iowa Bankers Association, stated at the 1916 meeting that Iowa farmers owned seventy-five per cent of the banks represented at the convention.⁷⁵⁹ D. H. Hedrick, a country banker with a wide knowledge of Iowa conditions, states as his opinion that "the majority of the rural banks in Iowa are owned by the farmers, either active or retired."⁷⁶⁰

PROFITS OF THE BANKS

Very few institutions probably render as many gratuitous services for the community as do the banks. On the whole, however, the profits paid by banks to their stockholders have been highly satisfactory. In endeavoring to present statistics in regard to earnings, the student of Iowa banking is again met with the difficulty of incomplete data. Some States secure reports on earnings and dividends of all banks, but Iowa reports contain no information on this point. All national banks must make semi-annual statements of earnings and dividends as well as the principal sources of these earnings. These are the only complete data for any class of Iowa banks. Table XV presents some statistics which indicate the profits in certain banks.

This table does not include the data for banks in the four reserve cities of Iowa. If these had been included, however, the results would not be very much changed. For instance in 1919 the ratio of net earnings to capital and surplus combined was 11.98 per cent in the country national banks. In the reserve cities the earnings averaged somewhat

TABLE XV

NET EARNINGS AND DIVIDENDS OF THE COUNTRY NATIONAL BANKS IN IOWA, 1896-1919 ⁷⁶¹		
YEAR	PERCENTAGE OF DIVIDENDS TO CAPITAL	PERCENTAGE OF NET EARNINGS TO CAPITAL AND SURPLUS
1896	8.0	6.8
1897	7.1	6.1
1898	7.7	5.8
1899	9.2	8.7
1900	8.6	8.1
1901	9.95	8.95
1902	10.45	11.65
1903	10.0	11.8
1904	9.6	10.6
1905	9.7	8.9
1906	10.7	9.7
1907	10.2	11.2
1908	9.6	9.9
1909	9.9	10.0
1910	11.2	10.5
1911	11.9	11.0
1912	11.54	10.73
1913	14.00	11.73
1914	12.56	11.31
1915	12.18	11.01
1916	13.21	11.32
1917	13.42	12.11
1918	13.28	10.77
1919	13.58	11.98

higher, being 11.42 per cent in Dubuque, 14.00 per cent in Cedar Rapids, 15.31 per cent in Des Moines, and 15.36 per cent in Sioux City.⁷⁶²

Partial statistics are available for State supervised banks, but continuous data concerning either the amount or source of their earnings can not be presented. In 1914 and 1915 the Comptroller published reports of such State and private institutions as submitted statements to him. In 1914, 200 State banks reported dividends averaging 9.84 per cent of their capital; 510 savings banks 10.01 per cent; 9 loan and trust companies 8.97 per cent; and 32 private banks 20.62 per cent. The following year the number of reporting

banks and percentage of dividends were: 199 State banks 10.68 per cent, 520 savings banks 17.63 per cent, 12 loan and trust companies 10.12 per cent, and 33 private banks 15.58 per cent.⁷⁶³

The proportion of State supervised banks making this report to the Comptroller was large enough to warrant the assumption that these figures are fairly representative. They show that the dividends paid are as large in the State institutions as in the national banks. State and savings banks have smaller average capital, but they had, nevertheless, a somewhat higher percentage of capital to total assets than the national banks.⁷⁶⁴ They are not required to build up a surplus, however, unless they wish to qualify to act in a fiduciary capacity. They have also been freer in the past in the matter of investments and have had greater liberty to engage in outside activities for profit.

Only about one-tenth of the private banks reported their earnings, so that the data concerning this class are too incomplete to be of value in making generalizations. The banks which did report show earnings so distinctly above those of the incorporated banks as to lead to the conclusion that the greater liberty of action of the unincorporated bank makes it possible to earn larger profits.

The analysis of the earnings of the national banks shows that the principal form of income was interest and discount, \$19,269,000 out of \$20,218,000 gross earnings being from this source. The second largest source of income was from exchange and collection charges, amounting to \$310,000 for all of the banks. Banks outside of the reserve cities reported \$142,000 commissions and earnings from insurance premiums and the negotiation of real estate loans. The right to act as agent for an insurance company or agent or broker in placing real estate loans was only recently granted to national banks by an amendment of the Federal Reserve Act. The privilege is denied to banks in cities with a popu-

lation over five thousand, thus ruling out the reserve cities. Miscellaneous earnings aggregated \$497,000.⁷⁶⁵

BANK PUBLICITY

Methods of attracting business to the bank and building up the position of banking institutions in the community have undergone marked changes in recent years. The best means of attracting and holding customers is unquestionably personal service. The various services which the banks render to their individual customers include first of all taking care of their legitimate financial needs. The prudent banker carefully watches the business enterprises of his customers and is often in a position to anticipate the needs of his patron. A case was recently brought to the writer's attention of an Iowa banker who, during a time of severe credit stringency, had secured the approval of the board of directors for a large loan to a customer who had not made any request therefor. When this man learned that his needs had been anticipated and that the necessary money had been set aside, he received a new insight into the thoughtful concern with which the banker serves his regular clients.

One of the most effective forms of publicity is a personal letter from the officers of the bank. Some banks send out these letters with monthly statements to depositors, dividend checks, or on other occasions when mail is being sent to patrons. Often letters are sent out to new residents in the community inviting them to use the facilities of the bank.

Supplying conveniences for the use of the customers at the bank itself is another form of service. Some country banks have provided a rest room for their country patrons. Private rooms for business conferences are also made available. Some banks have placed an adding machine in the bank lobby for the exclusive use of its customers. The re-

sult of this is to make the bank a place to which people may often come for other purposes than strictly banking service.

In the newspaper and periodical advertising of the present day banks have departed almost entirely from the "tombstone" type of notices which formerly characterized bank advertisements. Instead of stereotyped advertisements, giving merely the names of the bank's officers, its capital stock, deposits or other information concerning its financial condition, banks to-day call the attention of the reader to the various services of the bank. Many banks will not allow their newspaper advertising copy to stand beyond a single issue of the paper. Commonly the bank buys the copy for its advertisements from the established agencies and in this way secures the services of experts in copy writing.⁷⁶⁶

The advertisements of three banks in a typical small town show the appeal made regularly to the public. The first is "*An Invitation*" to come in and use the bank for accounts of any size. "We are in Business to be Bothered" is the challenge to the person who thinks his business is "too trifling for the banker to bother with". The second bank advertises a saving plan which its officers wish to explain to all parties in the community interested in joining. In the advertisement of the third bank is an admonition to "Protect your home and belongings from fire". For this purpose the bank offers the facilities of a fire insurance company for which some member of its staff is agent.⁷⁶⁷ Each week these banks present different phases of their services to the reading public.

Bank publicity includes the distribution of attractive wall calendars and novelties such as coin purses, bill-books, and memorandum books. A few banks in Iowa have begun the publication of a monthly business bulletin, but this can only be undertaken by the larger banks.

For the most part banks seek to obtain their business by

straightforward appeal and legitimate business services. But the severity of competition is responsible for some weaknesses in banking practice. A careful student of Iowa banking has stated that one of the most important causes of overdrafts in Iowa banks is the intensity of competition among banks. This has resulted in placing Iowa in the unenviable position of leader among the States in the matter of permitting overdrafts.⁷⁶⁸ It is doubtless true also that many bankers allow themselves to be imposed upon in other ways because of a mistaken attempt to retain business at any cost.

Nearly two thousand banks are maintained in Iowa communities, owned by thousands of different stockholders. Liberal returns have been paid upon the investment in bank stock and satisfactory interest rates have been allowed depositors for their contribution toward the banking resources of the State. The community on its part has received a high measure of service from the banks at reasonable terms. Practically the only service for which the banks charge is for the use of their credit in the form of loans and discounts. Other services they contribute to their patrons and the community. Doubtless there are still many unworthy institutions, but the general record is one of large service which has merited and won the esteem and almost universal patronage of the community.

XV

THE IOWA BANKERS ASSOCIATION

A generation ago it became manifest to many progressive Iowa bankers that there was a need for some organization of the bankers which would unify the banking system of the State and eliminate the extreme individualism which then characterized the banking business. Accordingly, twenty-nine bankers, the majority of whom represented Des Moines banks, issued a call for a convention to be held at Des Moines on July 26 and 27, 1887. The primary purpose of this first meeting was to effect the organization of a State association. It was hoped that through organization and regular interchange of views the bankers would be able to improve the general banking interests of the State and that this in turn would inure to the benefit of the business interests of the country.⁷⁶⁹

In response to this call sixty-nine bank officers and bankers registered at the first convention. Since the primary purpose of the gathering was organization, the program was very informal. John Nollen of Pella entertained the gathering by reminiscences of earlier banking, while W. A. McHenry of Denison and others joined in the discussion. Certain steps looking toward uniformity in exchange charges and other matters of banking practice were discussed and resolutions passed relating to these points.

In the constitution adopted at the first convention the organization was named the Iowa Bankers Association; membership was open to any national or State bank, trust company, savings bank, or banker. Officers of the Association were a president, first vice president, and one vice president for each congressional district. This group of officers

was to be known as the executive council and was authorized to appoint a secretary, a treasurer, and other employees. Membership fees of \$3 and annual dues of \$2 were prescribed.

G. L. Tremain of Humboldt was chosen president at this first meeting; W. T. Fenton of Ottumwa was appointed the first treasurer; and J. E. Henriques of Marshalltown was named secretary.⁷⁷⁰

For years President Tremain was a leading spirit in the Association. He was highly regarded by his colleagues, as is shown by the following special resolution of respect which was recorded at the 1918 convention:

Whereas, a former President of this Association, Mr. George L. Tremain, of Humboldt, Iowa, we are informed, has reached the noble age of three score and twenty, and as we owe to him the thought and initiative which formed this organization,

Resolved, That we hereby extend to him our most sincere congratulations on the life lived and the years enjoyed by him, and our hopeful desire for a continuation of years of happiness.⁷⁷¹

This tribute was the last given to Mr. Tremain while he was still living; the 1919 convention, which convened at Fort Dodge, was called upon to pass resolutions to his memory.⁷⁷²

GROWTH OF THE ASSOCIATION

The history of the early years of the Association is a record of disappointments. At the second annual meeting, held at Spirit Lake, the treasurer's report showed sixty-seven members.⁷⁷³ The attendance is reported elsewhere as forty-five. In 1900 for the first time over two hundred delegates and visitors registered at an annual convention.⁷⁷⁴

In those early years, outside speakers of prominence could not be secured for the programs. Men would promise to appear and then fail to meet the appointment. Even the presidents of the Association were frequently absent. The records show that in 1890, 1891, and 1892 the place of the

president was taken by the vice president.⁷⁷⁵ In his address of welcome, delivered at the thirty-second annual convention held in Dubuque in 1918, J. K. Deming made this statement: "Twenty-eight years ago the Iowa Bankers Association held its Fourth Annual Convention in this city. There were present about 150 Iowa bankers, and the occasion aroused so little interest that the President of the Association forgot, or at least, failed to attend. So the First Vice-President (a young fellow named Deming) presided."⁷⁷⁶

Growth of membership in the Association was likewise very slow. In his report at the sixth annual meeting J. M. Dinwiddie, the Secretary, speaks of his disappointment over the slow growth of the organization. He reported a membership of 284 out of 950 banks listed as eligible to membership.⁷⁷⁷ In 1897 the Secretary's report showed only 253 full paid members of the Association.⁷⁷⁸

Throughout those early discouraging years the burden of maintaining the interest of members in the Association and of extending its life and influence fell largely upon J. M. Dinwiddie of Cedar Rapids, Secretary of the Association from 1888 until the appointment of a permanent, full-time Secretary in 1910. On September 26, 1888, Mr. Henriques, the first Secretary, resigned, and Mr. Dinwiddie was chosen as his successor.⁷⁷⁹ In spite of discouragement and lack of coöperation Mr. Dinwiddie labored to build up the great organization which now exists. In 1890 he asked to be relieved of his duties owing to his own business responsibilities and the pressure of his work. The President urged him to stay by the organization for fear that his resignation would be followed by that of others.⁷⁸⁰

During the early period the salary paid the Secretary was nominal;⁷⁸¹ the net salary Mr. Dinwiddie received for more than twenty years of service was in no way commensurate with the service he rendered the Association. But before Mr. Dinwiddie retired, his efforts had borne abundant fruit

in the growth of interest, membership, and attendance; moreover, his colleagues gave hearty recognition to his part in building up the Association. In 1908 the President in his annual address in commending Mr. Dinwiddie's work said: "For practically all of its existence he has served in a most thorough, painstaking manner and done more perhaps to build it up than any other one man".⁷⁸² At his retirement in 1910 the convention passed a resolution commending him for his efficient service since 1888, presented him with a gift, and sent him to the Los Angeles convention of the American Bankers Association at the expense of the Iowa Association.⁷⁸³

The programs of the early meetings were marked by heated discussion of methods of handling business, the rates of exchange to be charged, plans to eliminate the competition of express companies, the evils of transacting business after banking hours and similar topics. The subject of the President's address at the second meeting was "Some Mistakes in Banking". Among those which he enumerated were undue anxiety for business, unfriendly competition, laxity regarding loans and discounts, carrying overdrawn accounts, allowing rebate of interest on paper paid before maturity at the rate originally charged, and encouraging customers to transact business after office hours.⁷⁸⁴

Beginning early in the first decade of the twentieth century, there was a marked change in the attitude of banks toward one another and the Association. Instead of a spirit of suspicion, there arose a spirit of coöperation. In the cities the clearing houses brought the bankers together; and the sessions of the State Association were well attended. At Des Moines in 1900 only about 200 registered for the convention; but when the Association met there again in 1910, about 1000 were in attendance. The registration at the convention held in Des Moines on June 7, 8, 1921, was 2266.⁷⁸⁵ The Secretary in 1897 had reported 253 fully paid

members. In 1906 the Iowa Association claimed to be the largest State association in the United States with a total of 1100 member banks out of a possible 1485.⁷⁸⁶ By 1913 the number was 1600.⁷⁸⁷ On June 1, 1919, there were 1850 active members in the Association out of a possible 1907 eligible institutions. In addition there were forty-four associate members—including publishers of bank journals, note brokers, and banking institutions outside of Iowa.⁷⁸⁸

Instead of barren discussion or extended debates on unimportant matters, the programs of the Iowa bankers' conventions are filled with addresses on public questions by some of America's most noted speakers and discussion of important financial issues by leading bankers or treasury officials. Not infrequently of late years the President of the American Bankers Association has attended the Iowa meeting. W. P. G. Harding, Governor of the Federal Reserve Board, was a speaker at the 1919 and 1921 conventions.

SOCIAL FEATURES

After 1892 the social side of the Bankers Association meetings was provided for by inviting the ladies and families of the bankers to be present. There has been an increasing number of women registered at the meetings. At Des Moines in 1917 out of a total registration of 1849 it appears that 418 were women; in 1921 there were over 500 women present.⁷⁸⁹ During the same convention at which it was voted to invite the attendance of the ladies, a resolution was passed expressing the hope that the cost of entertainment would not be so increased that the reception given to the Association in the future would become a burden to the city. Among the features provided by Davenport in that year were: first, free use of the Masonic Temple for the meetings; second, free use of the Davenport Business Men's Association rooms for committee meetings, rest, or recreation; third, a banquet at the Armory by the bankers of Dav-

enport; fourth, free transportation on ferry boats and street cars; fifth, open house at the Davenport Outing Club; sixth, a river excursion; seventh, carriages on Wednesday afternoon to visit the city water works which was said to have the largest filtering establishment in the world, the cities of Davenport, Rock Island, and Moline, and the United States arsenal on Rock Island, to which convention badges served as passes.⁷⁹⁰

This is a typical example of the social features of the annual conventions. In 1900 it was voted to pay from the treasury of the Association \$200 per year toward the expenses of entertaining the Association;⁷⁹¹ and in 1902, the appropriation was raised to \$500. In the course of the discussion it was stated that the bankers of Cedar Rapids had paid out \$1400 for social features.⁷⁹² An effort was made in 1912 to discontinue this custom of paying \$500 to the entertaining city, but the motion was lost. In 1919 the amount was fixed at \$750 henceforth.⁷⁹³ The honor of entertaining the sessions of the Association has been much sought after by the cities of the State having facilities to entertain so large a convention. Des Moines has most frequently been chosen for the honor and has been the most popular place, if the number in attendance at the sessions is taken as a standard. The selection of Des Moines, however, is no doubt due largely to the size and central location of the city.

Joint sessions have been held from time to time with other organizations. In 1903 the Iowa bankers met at Davenport; and the Illinois Association assembled at Rock Island at the same time. Separate business sessions were held, but on July 29th a joint session was held in Davenport, addressed by C. M. Fowler, Representative in Congress from New Jersey, A. B. Cummins, Governor of Iowa, and H. J. Hamlin, Attorney General of Illinois.⁷⁹⁴ Joint sessions have also been held in Des Moines and Waterloo with the Iowa Farm Mortgage Association, a considerable num-

ber of whose members are also members of the Iowa Bankers Association.⁷⁹⁵ By means of these joint sessions the good fellowship characteristic of the Association has been broadened.

Among the social features introduced at the 1918 meeting was an ex-councilmen's dinner for members of the 1916-1917 council. J. K. Deming was also host to all former presidents of the Association.⁷⁹⁶

ORGANIZATION AND MEMBERSHIP

Membership in the Iowa Bankers Association is of two kinds, active and associate. Active membership may include any institution doing a general banking business in the State of Iowa. The annual membership fees of the Association are \$6 for any bank having a capital and surplus and undivided profits of \$35,000 or less and are graduated up to \$50 for banks having a working capital over \$750,000. Dues are payable in advance on the first of January. The Secretary is authorized to draw a sight draft on any member delinquent five days, and after three months delinquency to drop the member from the Association. Associate members consist of any publisher of a bank journal, any dealer or broker in bank stocks, bonds, commercial paper, or other securities, or any bank located outside of Iowa. Associate members pay annual dues of \$15 each.

Active and associate members are entitled to representation by one delegate at the annual meeting of the Association. Delegates representing the associate members are not entitled to vote. Delegates appointed by active members must be officers or directors of the firm they represent, or members of a banking firm, or individuals doing business as bankers. They can vote only in person, no proxies being allowed.

The administrative officers of the Association now consist of a President, Vice President, Secretary, and Treasurer

elected annually. With the exception of the Secretary, the officers are elected by the annual convention. The choice of the President has frequently been made the subject of special resolutions at the group meetings, so that the election by the convention may become a mere matter of form. To discourage this practice a resolution was passed in the 1917 convention advising against endorsing candidates for the various offices of the Association except by their own group. This appears to be carried out so that now only the home group of a candidate endorses him. Election of officers occurs on the last day of the annual meeting. The President presides at the convention which closes his term of office. A complete roster of the presidents of the Association together with their home cities when elected and the place of meeting of the Association at which each presided is given in Table XVI.⁷⁹⁷

FULL-TIME SECRETARY

The constitution provides that no officer, except the Secretary, may succeed himself in office. Practically from the formation of the Association until 1910 this position was held by J. M. Dinwiddie, who handled this work in connection with his duties as a banker in Cedar Rapids. At the Waterloo convention of 1909 a resolution was adopted appointing a committee of three to investigate and make recommendation concerning the advisability of having a full-time secretary. Based upon the satisfactory results attained in Missouri, Illinois, Wisconsin, and Minnesota, all of which States had had such an officer, the committee reported in 1910 favoring the appointment of a permanent secretary at a salary of \$2400 per year. Permanent quarters were to be rented in Des Moines and a stenographer regularly employed. Three names were suggested by the committee. The name of Mr. Dinwiddie was not included as he could not afford to give up his business to devote his full

TABLE XVI

PRESIDENTS AND PLACE OF MEETING OF THE IOWA BANKERS
ASSOCIATION

PRESIDENT	HOME CITY WHEN ELECTED	YEAR	PLACE OF MEETING
G. L. Tremain	Humboldt	1887	Des Moines
G. L. Tremain	Humboldt	1888	Spirit Lake
J. H. Branch	Marengo	1889	Cedar Rapids
J. H. Branch	Marengo	1890	Dubuque
D. N. Cooley	Dubuque	1891	Sioux City
John T. Remey	Burlington	1892	Davenport
S. F. Smith	Davenport	1893	Council Bluffs
W. A. McHenry	Denison	1894	Des Moines
Simon Casady	Des Moines	1895	Storm Lake
F. H. Helsell	Sioux Rapids	1896	Marshalltown
J. K. Deming	Dubuque	1897	Ottumwa
Chas. R. Hannan	Council Bluffs	1898	Mason City
C. H. McNider	Mason City	1899	Burlington
Charles H. Martin	Des Moines	1900	Des Moines
E. D. Huxford	Cherokee	1901	Cedar Rapids
C. B. Mills	Sioux Rapids	1902	Des Moines
Homer A. Miller	Des Moines	1903	Davenport
L. F. Potter	Harlan	1904	Des Moines
Ackley Hubbard	Spencer	1905	Des Moines
D. H. McKee	Mediapolis	1906	Cedar Rapids
John J. Large	Rock Valley	1907	Clinton
H. M. Carpenter	Monticello	1908	Sioux City
J. T. Brooks	Hedrick	1909	Waterloo
J. D. Easton	Waterloo		
*L. E. Stevens	Ottumwa	1910	Des Moines
John McHugh	Sioux City	1911	Mason City
E. J. Curtin	Decorah	1912	Cedar Rapids
Chas. Shade	Rock Rapids	1913	Des Moines
D. L. Heinsheimer	Glenwood		
*Frank Epperson	Eddyville	1914	Clinton
J. L. Edwards	Burlington	1915	Davenport
H. T. Blackburn	Des Moines	1916	Waterloo
George S. Parker	Sioux City	1917	Des Moines
S. M. Leach	Adel	1918	Dubuque
J. H. Ingwersen	Clinton		
M. H. Calderwood	Eldridge	1919	Fort Dodge
J. H. McCord	Spencer	1920	Des Moines
L. A. Andrew	Ottumwa	1921	Des Moines

*Acting President.

time to Association affairs. The report of the committee was adopted and in the election the choice of the convention fell to P. W. Hall, cashier of the Sheldon National Bank.⁷⁹⁸

Mr. Hall resigned in 1916, and Frank Warner of Waterloo was elected at a special meeting of the Council held on August 9th of that year to fill the vacancy. Mr. Warner has continued to carry on the work of Secretary, his permanent headquarters being at Des Moines.⁷⁹⁹ Under his able administration the Association has grown in membership and in the scope of its activities.

GROUP AND COUNTY ORGANIZATIONS

The distinctive feature of the present organization is the division of the members of the Association into eleven groups, geographically divided by counties. This plan of group organization was first adopted in 1897; its purpose is to increase the membership of the Association, to arouse interest in practical matters, and to provide opportunity to discuss problems in small groups. The committee supporting the plan reported that it was in successful operation in several States, including Pennsylvania, New York, Ohio, Texas, and Missouri. Opposition to the new system was based on the plea that it would kill the State Association to hold group meetings. The plan was adopted after prolonged discussion by a vote of fifty-two to twenty-one. It has been modified from time to time, but, on the whole, has continued throughout to be a source of strength to the State Association.⁸⁰⁰

The system as adopted in 1897 provided for nine groups having their own officers, and holding their own meetings. It seems to have early proved successful, since in the president's address of 1900 the general scheme was commended. The number of groups was subsequently increased from nine to sixteen, but in 1905 this was reduced to eleven—the present number.⁸⁰¹ The Association by-laws prescribe that

each group shall hold at least one meeting each year. One of these meetings, known as the annual meeting, must be held not later than May 31st of each year. What may be the practice in regard to other meetings is not clear from the records, but in the annual report of the convention of the State Association, reports of these annual group meetings are included. The sessions last only one day and are usually devoted to practical discussions.

Group officers include a chairman, a secretary, a treasurer, and an executive committee composed of one representative from each county in the district. Group chairmen are chosen for two years—the odd numbered groups electing in the odd year and the even numbered in the even year. The group chairmen with the four officers elected by the State Association constitute the Council of Administration of the State Association.⁸⁰²

The county association is a new unit of organization which is being developed by the Association. In his report in 1917 the Secretary describes the success of the county associations already formed and urges an extension of this type of organization. He stated that before the county depository associations were formed to help float the Liberty bond issues, there were only two such associations in the State—the Ida County Bankers Association and the Delaware County Bankers Association. The Secretary also called attention to the following purposes for which a county organization should be maintained: to analyze the banking business in that county and mutually determine what interest shall be paid on time deposits, and also what rate shall be asked on loans; to exchange methods that have proved practical in reducing the cost of operation; to create a complete credit file for the county; to make an arrangement for a county clearing house; and even to give attention to the question of proper help.⁸⁰³

In 1918 the Secretary reported the formation of five or

six additional county bankers associations. At the annual convention a resolution was passed commending these organizations in the following language: "it is the sense of this convention that the county shall constitute the unit in Bankers Conventions, in creating fellowship among bankers, efficiency in banking methods, establishing credit files and such other things essential and beneficial to better banking in Iowa." The resolution then urged the formation of county associations and commended the bankers in the counties already organized. A year later the Secretary reported that there were only sixteen counties without associations already organized or in process of organization and in 1921 all of the counties were reported as having county bankers associations.⁸⁰⁴

RELATIONS WITH THE AMERICAN BANKERS ASSOCIATION

In the earlier years of the Iowa Association considerable dissatisfaction was manifested with the American Bankers Association. It was charged that that organization was dominated by eastern men and was unresponsive to the needs of Iowa bankers. At the State convention held in 1897 the formation of a national association of bankers to represent the State associations was discussed; and it was voted to send delegates to a preliminary meeting, if one were held. It was generally felt, however, that the two organizations would not be antagonistic, and delegates should be sent to each.⁸⁰⁵

Nothing of importance appears to have come from the movement for a second national organization of bankers. The relationship between the American Bankers Association and the Iowa Bankers Association was gradually improved through closer coöperation and through the fact that Iowans, or former residents of the State, became prominent in the councils of the American Bankers Association.

The position of President of the national Association was

held by George Reynolds and Arthur Reynolds, both looked upon as Iowa men, and in their official position they did much to promote more cordial feelings. As a result, the bankers in Iowa have enthusiastically supported the American Bankers Association in recent years. At the annual State convention, a meeting of the Iowa members of the American Bankers Association is held. In March, 1920, there were nearly 1100 Iowa members in the American Bankers Association. The Iowa members at the convention elect certain Iowa officers of the American Bankers Association. These are a vice president for the State of Iowa, six members of the executive council, a member of the nominating committee and an alternate, and vice presidents for the trust company section, the savings bank section, the national bank section, and the State bank section.⁸⁰⁸

The present organization of the Iowa bankers, therefore, begins with the county as the unit of organization, next comes the group or district, then the State Association, and finally the American Bankers Association.

ACTIVITIES ON BEHALF OF MEMBERS

In addition to the advantages the Association offers its members for an interchange of ideas, discussion, personal acquaintanceship, molding of correct policies, and the stimulating influence of personal contact at the conventions, there are certain specific advantages which come to member banks even when attendance at the convention is impossible. Among these special activities carried on in behalf of the members are the protective work, the time lock expert, the insurance department, the legislative committee, and the legal aid.

Protective Service:—The protective work was inaugurated by a resolution of the 1897 convention. In any case where a member bank has been defrauded, burglarized, or

robbed, the secretary is to be notified at once and the assistance of the Association will be given in detective work and legal proceedings. The Association now retains the services of the Wm. J. Burns international detective agency, whose Iowa representative has an office in Des Moines near the office of the secretary. Each year he has reported a considerable number of forgeries, fraudulent checks and notes, burglarizations, and hold-ups.

In June, 1920, seven successful and four unsuccessful bank burglarizations or hold-ups were reported. To check this wave of crime a new department was established in August in coöperation with the State, R. C. Saunders, a special agent from the Governor's office, being in charge. The Burns Agency is now used primarily in ferreting out forgeries and fraudulent checks and notes and the new department for apprehending bank robbers. The plan also provides for a vigilance committee of not less than four men in every town where there is a bank. These men are deputized under the county sheriff and provided with arms and ammunition secured from the War Department by the county bankers associations.

In order to further protect the banks each county bankers association was asked to subscribe \$1000 for the apprehension of bank burglars operating in the county. The response of the county associations has been one hundred per cent and some counties exceeded their \$1000 quota. As soon as the local vigilance committee was organized the banks were supplied with a red window card bearing the caption "\$1000 reward" and warning would-be bank burglars to beware. Special rewards have also been offered to telephone operators for giving prompt notification to the sheriff and vigilance committee.

The officers of the Iowa Bankers Association sought to further strengthen their protective work by assisting in the drafting and passage of a bill creating a new criminal bu-

reau under the Attorney General's office. The plan outlined by the Association's officers contemplated employing a finger print expert and a handwriting expert. It was also hoped to secure duplicate finger print files for all county sheriffs' offices and also for the chief of police in cities of over 20,000 population. The law passed was much more general in form, but authorized the bureau to provide an adequate system of criminal identification. Apparently specific plans may now be developed at the discretion of the Attorney General.

The Association has already paid liberal rewards for the apprehension of criminals. About 1902 John Sundblad was killed in the attempt to arrest safe-blowers who tried to loot the Greenville bank in Clay County. His family was left in straightened circumstances. By voluntary subscriptions the bankers of Iowa raised a fund of \$4740.50 to clear his homestead and provide for his wife and children. This fund was administered by trustees elected by the Iowa Bankers Association, and reports were made on it for several years. In 1906 the trustees reported that nothing had been paid to the family for about two years, that Mrs. Sundblad had remarried, and that the plan was to save the money for the education of the Sundblad boys. In 1917 when the Association voted to turn over the fund to be used for this purpose, the report of the trustees showed a balance of \$6472.61.

On March 30, 1921, a second law enforcing officer, J. K. Myers, was killed by bandits who attempted to rob the First National Bank of Stuart. A memorial fund was immediately authorized by the Council of Administration of the Association. The county bankers associations were each requested to subscribe \$50, from which fund the widow of Mr. Myers is to be paid a life income of \$50 per month. On July 8, 1921, the Secretary reported subscriptions received from sixty-five counties.

As a preventive measure the mutual assistance and

greater efficiency in prosecutions which is secured through coöperation has unquestionably deterred criminals from acting against member banks. The willingness of the bankers to do all in their power for the families of men who have lost their lives in their service has perhaps made officers more vigilant in apprehending criminals. Before the more recent developments in protective service the Iowa representative of the Wm. J. Burns detective agency in commenting on the comparative freedom of Iowa banks from burglaries said: "It is not out of the way, I am sure, to lay the majority of this record to the constant vigilance which has been maintained by this Protective Department, by the circularizations which have emanated from your State Secretary's office, and by the splendid co-operation that has been extended to your department by the sheriffs and police." The Protective Department under Mr. Saunders, aided by his staff and the local vigilance committees, has already given unusually satisfactory results. During the fiscal year ending June 1, 1921, twenty-two bank robbers were apprehended. Information was in the hands of the department which it was believed would secure the conviction of men implicated in fifteen other robberies. When all phases of the new plan are fully in operation its results may be expected to be even more significant.⁸⁰⁷

Time Lock Expert:—A second activity carried on by the Association for the member banks is the employment of a time lock expert to clean and repair time locks. At the 1904 convention a committee appointed by the executive council to look into the cleaning and repairing of time locks reported that the charges were "unreasonable and exorbitant". They stated further that the charges were very irregular and that in their opinion the members acting together as an Association could save sixty per cent. As a result of this report J. W. Loyer was employed to clean time

locks for the members at \$6 each. One dollar of the fee was sent to the Secretary to serve as a guarantee fund. The Association then guaranteed that if a banker had a lock-out caused by any fault of the time lock, bolt work, or automatic not working properly it would pay for the damages sustained from the money in the hands of the Secretary. In the report for 1906 the reduction in cost is estimated at from \$4 to \$9 per lock.

Mr. Loyer's work was satisfactory, but considerable complaint arose over his dilatory methods. He was unable to handle the work alone and unwilling to employ an assistant. As a result he resigned in the fall of 1911, and a five year contract was made with F. E. Davenport and Company of Omaha. Banks individually make contracts with the company, but at a standard rate and with the guarantee of the Iowa Bankers Association, which in turn is protected by a surety company bond. In 1918 the time lock committee reported that there were 730 contracts in force and that the work was entirely satisfactory. A saving of twenty-five per cent in cost with ample protection against lock-outs was cited as a reason for urging more members to take advantage of the F. E. Davenport and Company contract.⁸⁰⁸

Insurance Department:—A third activity of the Association on behalf of its members is the provision for fidelity and burglary insurance. As a result of dissatisfaction on the part of members with the rates on fidelity and burglary insurance, a committee was appointed to investigate the advantages of having a contract made by the Association on behalf of its members. This committee reported to the 1906 convention a provisional contract with the National Surety Company of New York. The agreement provided that the Secretary of the Iowa Bankers Association act as agent for the company to get insurance for members of the Association. The Association was not asked to guarantee any fixed

amount of business nor to become responsible for the collection of premiums, but merely to agree to make a thorough canvass of members and to accept no other agency. The contract would grant the Association commissions on the business written. No member would be obligated to use the company.

The contract was not accepted by the Association at this time; but in the President's address in the following year, the adoption of the plan which had been rejected in 1906 was strongly urged. When the committee report was again called up it was acted upon favorably. The only modification on the above contract was that one-half of the commission received by the Association on each premium would be returned at the end of the fiscal year to the bank or banker from whence it originally came. This granting of a rebate is now forbidden under the State insurance law, so that member banks do not get a lower rate on insurance written through the Association. The influence of the bankers associations—State and national—has, however, been of distinct advantage in securing better terms from insurance companies.

The insurance work of the Association has grown to be an important feature and a source of considerable revenue. In 1910 the insurance in force was: burglary \$1,880,000, and fidelity \$850,000. One argument then advanced in favor of a permanent Secretary was to increase the revenue from commissions. There has been a marked increase in the amount of business done, due either to natural growth or to the Association's having a man free to develop business. In 1910 the revenue for insurance was \$1842, in 1918 it was \$5164, and in 1921 it was \$12,495. This revenue alone practically covers the salary of the secretary and the expenses of his office. The funds received from this source, however, are primarily intended to maintain the protective department.³⁰⁹

Legislative Committee:—A fourth activity undertaken on behalf of the banking interests of the State is that represented by the legislative committee—a committee which has been especially active during the years when the biennial session of the legislature is held. At such times a program of legislation applicable to the banking conditions in Iowa is carefully drawn up in conference with the State Banking Department and is urged for passage in the legislature. This program is very broad, giving attention to the three classes of banks under State supervision—State and savings banks and trust companies. Protective measures dealing with criminal operations against banks are also supported. In addition the committee advocates measures which do not relate specifically to banking but in which Iowa bankers have an interest.

Among the general bills supported by the legislative committee in 1917 were a county agent bill, a road patrol bill, and a bill relating to bulk sales of merchandise.

In 1919 the various measures prepared for introduction in the legislature included: a bill to amend the present blue sky law; a bill to empower the Superintendent of Banking to decline to issue certificates of authority for any banks that do not meet certain requirements and to prohibit the establishment of new private banks; a bill to make uniform the reserve requirements of State and savings banks; a bill to make \$25,000 the minimum capitalization of savings banks; a bill to authorize banks to make and execute bankers' acceptances; a bill to prohibit the secret assignment of accounts; and a bill to provide more examiners, clerks, and fees for the State Banking Department.

In addition to the legislative activities of the committee at the sessions of the State legislature, an effort has been made to follow banking legislation which is being considered by Congress. This work is carried on primarily by the American Bankers Association and is supported by the

Iowa committee. In the years 1917 and 1918 the passage of bills creating the War Finance Corporation and the Capital Issues Committee received their support. The committee supported an amendment to the Federal reserve clearing system, which would permit member banks to charge on checks cleared through the Federal reserve banks. It protested vigorously before Congress against the personal credits act, against the excess profits tax, and against the guarantee of deposits not exceeding \$5000 in national banks.⁸¹⁰

Opinions may be expected to differ as to the merits of certain proposed measures, but any fair-minded examination of the legislative program of the Iowa bankers must lead to the conclusion that the general tone of their influence is sound and in the public interest. Conservative as a class the bankers always have been; at times, doubtless, they have worked in their own selfish interest. Often, however, they have supported bills which would not bring them any special advantages. In every case the program represents the majority opinion of the bankers and is, therefore, not the work of any small clique.

Legal Department:—A fifth service the Association renders for its members is the matter of legal advice. For a number of years the Association retained an attorney for the benefit of the members. Since January, 1920, two attorneys have been retained. Questions may be submitted to them upon any point "all the way from those referring to the administration of estates to the assessment of taxation of bank stock and to what constitutes negotiable notes". After a recent decision of the Supreme Court regarding what constituted a negotiable note, the Secretary obtained an opinion from the attorney upon a note form which would meet all of the conditions. An Association bulletin containing the information was issued and sent out to all members

without charge. During the year 1917-1918 an income tax attorney was also retained who looked after inquiries of member banks at a nominal cost. The legal department may also represent the Association in the prosecution of bank robbers when county attorneys or other officers request assistance.⁸¹¹

ACTIVITIES FOR THE GENERAL PUBLIC WELFARE

In addition to the activities of the Association on behalf of its members, there are standing committees maintained to work for the general public welfare. The work of the Association in support of agriculture, commerce, and good roads has already been discussed in connection with the relations of the bank to the community. The Association has carried on propaganda for wider use of trade acceptances; it has promoted education and training for banking, especially by endorsing the work being carried on by the School of Commerce of the State University of Iowa and through the Institute of Banking, an agency fostered by the American Bankers Association.⁸¹²

From a small unrepresentative group of less than one hundred bankers, the Iowa Association has grown in thirty-five years into an organization of nearly 2000 members with an influence commensurate with the importance of the business represented. Working out in the open for its own interests and those of its patrons it has done much to dispel the suspicion formerly held for banking by the mass of the people. By its definite contribution in service to its members it has won to the Association almost one hundred per cent of the Iowa bankers.

NOTES AND REFERENCES

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CHAPTER I

¹ Salter's *Iowa: The First Free State in the Louisiana Purchase*, p. 11; Shambaugh's *History of the Constitution of Iowa*, ch. III.

² Hepburn's *Contest for Sound Money*, pp. 113, 154.

³ *The Iowa Standard* (Iowa City), November 27, 1840.

⁴ Wilkie's *Davenport Past and Present*, p. 91.

⁵ *The Iowa Standard* (Iowa City), March 23, 1843.

⁶ *The Iowa Standard* (Iowa City), May 4, 1843.

⁷ *The Iowa Standard* (Iowa City), March 2, 1843.

⁸ *The Iowa Standard* (Iowa City), November 23, 1843.

⁹ Dewey's *Financial History of the United States*, p. 227.

¹⁰ Interview with H. J. Wienicke, Iowa City.

¹¹ Hepburn's *Contest for Sound Money*, pp. 44, 45, 48.

¹² Sumner's *A History of Banking in the United States*, p. 330, in *A History of Banking in All the Leading Nations*, Vol. I.

¹³ *The Iowa City Standard*, July 23, 1841; *The Iowa Standard* (Iowa City), March 9, November 23, 1843.

¹⁴ The name *Loco-foco* was almost universally applied to the Democratic party by its opponents in Iowa during the forties when the Bank question was the absorbing political issue. The term originated at a political convention of the New York Democrats held in Tammany Hall in 1835. There had been a sharp split in the party over the question of banks and monopolies in general. At an exciting moment in the meeting all the lights were extinguished; but the anti-monopolists, who had anticipated that some such event would occur, were supplied with loco-foco matches and candles. The room was immediately relighted, and thereafter the members of this section of the party were dubbed *Loco-focos*. At first an epithet of contempt, the term *Loco-foco* came eventually to be synonymous with Democrat.—Townsend's *A Handbook of United States Political History*, p. 175.

¹⁵ *The Iowa Standard* (Iowa City), March 28, 1844.

¹⁶ *Iowa Capital Reporter* (Iowa City), May 10, 1845.

¹⁷ *The Iowa Standard* (Iowa City), April 6, 1843.

CHAPTER II

¹⁸ Van der Zee's *Early History of Lead Mining in the Iowa Country in The Iowa Journal of History and Politics*, Vol. XIII, pp. 3-52; *Compendium of United States Census*, 1840, pp. 294, 342.

¹⁹ Dowrie's *The Development of Banking in Illinois, 1817-1863*, in *University of Illinois Studies in the Social Sciences*, Vol. II, No. 4, p. 67.

²⁰ *Laws of the Territory of Wisconsin, 1836-1838*, No. 7, pp. 27-34.

²¹ *United States Statutes at Large*, Vol. V, p. 198.

²² *Laws of the Territory of Wisconsin, 1836-1838*, No. 7, secs. 1, 2, 3, 4, pp. 27, 28, 29; *United States Statutes at Large*, Vol. V, p. 198.

²³ *Laws of the Territory of Wisconsin, 1836-1838*, No. 7, secs. 5, 11, pp. 29, 31.

²⁴ *Laws of the Territory of Wisconsin, 1836-1838*, No. 7, secs. 5, 7, 8, 13, 22, pp. 29, 30, 32, 34.

²⁵ *Laws of the Territory of Wisconsin, 1836-1838*, No. 7, secs. 4, 9, 19, 20, pp. 28, 30, 31, 33, 34; *United States Statutes at Large*, Vol. V, p. 198.

²⁶ Dewey's *State Banking Before the Civil War*, pp. 63-73.

²⁷ Merritt's *The Early History of Banking in Iowa*, pp. 8, 9.

²⁸ *Journal of the House of Representatives of the Territory of Wisconsin, 1837-1838*, pp. 52, 53.

²⁹ The cashier reported a circulation of \$11,435, of which \$9435 was in post notes payable twelve months after date. Such notes were very common in most sections of the country before 1837, being used for the purpose of extending circulation. Many of the States empowered their banks to issue such bills. Although not authorized by the charter of the Miners' Bank they were not specifically prohibited. Hence the issue of such notes was not an infraction of the Bank's charter.—Dewey's *State Banking Before the Civil War*, pp. 104-107; *Journal of the House of Representatives of the Territory of Wisconsin, 1837-1838*, pp. 101-105, 123, 378-381.

³⁰ *Iowa News*, December 9, 1837, as cited in Merritt's *The Early History of Banking in Iowa*, p. 16.

³¹ A petition was presented to the legislature signed by a large number of persons in Dubuque which alleged gross violations of the charter provisions. This statement made the "astounding revelations" that the greater part of the first installment of capital stock was paid for by money loaned by the Galena Branch of the Bank of Illinois and was paid back immediately as soon as the stock was all taken. Appended to the petition was an affidavit by Walter Lewis to the effect that G. D. Dillon, cashier of the bank, had stated to him that his testimony given in answer to the questions asked by the first investigating committee was false. Facts brought out by later investi-

gations would tend to confirm this statement.—*Journal of the House of Representatives of the Territory of Wisconsin*, 1837-1838, p. 349.

³² *Laws of the Territory of Wisconsin, 1836-1838*, p. 527.

³³ *Journal of the Council of the Territory of Wisconsin*, June Session, 1838, pp. 245-248.

³⁴ Merritt's *The Early History of Banking in Iowa*, p. 35.

³⁵ Sumner's *A History of Banking in the United States*, pp. 329, 330, in *A History of Banking in All the Leading Nations*, Vol. I.

³⁶ *The Iowa News*, February 10, 1838, as cited in Merritt's *The Early History of Banking in Iowa*, pp. 18-23.

³⁷ *Journal of the Council of the Territory of Wisconsin*, June Session, 1838, pp. 245-248; see also *Journal of the House of Representatives of the Territory of Wisconsin*, 1838, pp. 87-94.

³⁸ *Laws of the Territory of Iowa, 1838-1839*, pp. 32-42.

³⁹ *Journal of the House of Representatives*, 1838, p. 3.

⁴⁰ *Laws of the Territory of Iowa, 1838-1839*, pp. 515, 516.

⁴¹ *Journal of the House of Representatives*, 1838, pp. 132, 301-303.

⁴² *The Iowa Standard* (Iowa City), April 16, 1841.

⁴³ *Journal of the Council*, 1842, p. 100.

⁴⁴ *Journal of the House of Representatives*, 1842, pp. 143, 144, 284.

⁴⁵ *Journal of the Council*, 1842, pp. 135, 137.

⁴⁶ *Journal of the Council*, 1842, pp. 144, 154.

⁴⁷ *Journal of the House of Representatives*, 1842, p. 190.

⁴⁸ *Journal of the Council*, 1842, p. 162.

⁴⁹ *Journal of the House of Representatives*, 1842, p. 215.

⁵⁰ *Journal of the House of Representatives*, 1842, p. 222.

⁵¹ *Journal of the Council*, 1842, p. 187.

⁵² *The Iowa Standard* (Iowa City), February 5, 1842.

⁵³ *The Iowa Standard* (Iowa City), March 12, 1842.

⁵⁴ Merritt's *The Early History of Banking in Iowa*, pp. 61, 62.

⁵⁵ *Journal of the House of Representatives*, 1842-1843, p. 150.

⁵⁶ *The Iowa Standard* (Iowa City), December 15, 1842.

⁵⁷ *Journal of the House of Representatives*, 1842-1843, p. 86.

⁵⁸ *Journal of the House of Representatives*, 1842-1843, pp. 150-173.

- ⁵⁹ *Journal of the Council*, 1842-1843, pp. 91, 182, 183.
- ⁶⁰ *Journal of the House of Representatives*, 1842-1843, p. 148.
- ⁶¹ *Journal of the House of Representatives*, 1842-1843, pp. 209-226
- ⁶² *The Iowa Standard* (Iowa City), February 9, 16, 1843.
- ⁶³ *Journal of the House of Representatives*, 1843-1844, pp. 8, 28.
- ⁶⁴ *Journal of the House of Representatives*, 1843-1844, pp. 38, 40, 41, 50.
- ⁶⁵ *Journal of the House of Representatives*, 1843-1844, pp. 67, 74-79.
- ⁶⁶ *Journal of the House of Representatives*, 1843-1844, p. 81.
- ⁶⁷ *Journal of the Council*, 1843-1844, pp. 73, 75, 77, 81, 82, 95.
- ⁶⁸ *Journal of the House of Representatives*, 1843-1844, p. 122.
- ⁶⁹ *Journal of the Council*, 1843-1844, pp. 104, 105.
- ⁷⁰ *The Iowa Standard* (Iowa City), April 25, 1844; *Address of the Directors of the Miners' Bank of Dubuque to the People of Iowa in Executive Documents*, 29th Congress, 1st Session, Vol. VIII, pp. 1228-1232.
- ⁷¹ *Iowa Capital Reporter* (Iowa City), April 27, 1844.
- ⁷² *Laws of the Territory of Wisconsin, 1836-1838*, No. 7, sec. 23, p. 34.
- ⁷³ *Journal of the House of Representatives*, 1845, pp. 13, 48, 49; *Journal of the Council*, 1845, pp. 33, 40, 217-221; *Laws of the Territory of Iowa*, 1845, ch. 31.
- ⁷⁴ In order to enable the Territory to continue improvements on the Capitol at Iowa City, the Territorial Agent, Col. Jesse Williams, had been authorized in 1841 to secure a loan of an amount not to exceed \$20,000. The security for the loan was to be the unsold lots of Iowa City. In accordance with this order Col. Williams secured a loan of \$5000 from the Miners' Bank on June 28, 1841, and a second loan of \$500 in September of the same year. These loans bore 7 per cent interest and were payable in New York eighteen months after date.—*The Iowa City Standard*, July 30, 1841; *Laws of the Territory of Iowa*, 1840-1841, ch. 72; *Journal of the Council*, 1842-1843, pp. 192-196; Merritt's *The Early History of Banking in Iowa*, pp. 45, 62-64, 108, 109.
- ⁷⁵ *Address of the Directors of the Miners' Bank of Dubuque to the People of Iowa in Executive Documents*, 29th Congress, 1st Session, Vol. VIII, pp. 1228-1232.
- ⁷⁶ Merritt's *The Early History of Banking in Iowa*, p. 117.
- ⁷⁷ *Miners' Bank of Dubuque v. United States*, 1 Morris 482.
- ⁷⁸ *Miners' Bank of Dubuque v. United States*, 1 G. Greene 553.
- ⁷⁹ Merritt's *The Early History of Banking in Iowa*, p. 117.

⁸⁰ *Journal of the House of Representatives*, 1842-1843, p. 165; *The Iowa Standard* (Iowa City), April 16, 1841.

⁸¹ *Journal of the House of Representatives*, 1843-1844, p. 85; and Chart of the Politics of Members of the Legislative Assemblies of the Territory of Iowa, prepared by Jacob Van der Zee, in the possession of The State Historical Society of Iowa.

⁸² *Iowa Capital Reporter* (Iowa City), May 24, 1845.

CHAPTER III

⁸³ *Journal of the House of Representatives*, 1838, p. 140.

⁸⁴ *Journal of the House of Representatives*, 1841-1842, pp. 210, 211.

⁸⁵ *Journal of the House of Representatives*, 1845, pp. 81, 94, 95; Merritt's *The Early History of Banking in Iowa*, pp. 101-103.

⁸⁶ *Laws of the Territory of Iowa*, 1838-1839, p. 64.

⁸⁷ Shambaugh's *History of the Constitutions of Iowa*, pp. 146, 167, 172.

⁸⁸ Shambaugh's *History of the Constitutions of Iowa*, pp. 176, 182, 219-227.

⁸⁹ *Journal of the Constitutional Convention*, 1844, pp. 28-30.

⁹⁰ *Journal of the Constitutional Convention*, 1844, pp. 89, 90.

⁹¹ *The Iowa Standard* (Iowa City), October 24, 1844; Shambaugh's *Fragments of the Debates of the Iowa Constitutional Conventions of 1844 and 1846*, pp. 67-70, 81.

⁹² *Journal of the Constitutional Convention*, 1844, p. 90; Shambaugh's *History of the Constitutions of Iowa*, p. 183.

⁹³ *Journal of the Constitutional Convention*, 1844, p. 107.

⁹⁴ *Journal of the Constitutional Convention*, 1844, p. 121.

⁹⁵ *The Iowa Standard* (Iowa City), November 7, 1844; Shambaugh's *Fragments of the Debates of the Iowa Constitutional Conventions of 1844 and 1846*, pp. 143-147.

⁹⁶ *Journal of the Constitutional Convention*, 1844, pp. 151, 184, 199, 200.

⁹⁷ Shambaugh's *History of the Constitutions of Iowa*, pp. 254, 255, 271, 283.

⁹⁸ Shambaugh's *History of the Constitutions of Iowa*, pp. 287-290.

⁹⁹ Shambaugh's *History of the Constitutions of Iowa*, pp. 291, 292.

¹⁰⁰ *Iowa Capital Reporter* (Iowa City), March 18, 1846.

¹⁰¹ Shambaugh's *History of the Constitutions of Iowa*, p. 292.

¹⁰² *Journal of the Constitutional Convention*, 1846, pp. 23, 38, 56, 71.

¹⁰³ *Journal of the Constitutional Convention*, 1846, pp. 72, 75, 76, 85, 86.

¹⁰⁴ *Journal of the Constitutional Convention*, 1846, p. xv.

¹⁰⁵ *Iowa Capital Reporter* (Iowa City), June 3, 1846; *Journal of the Constitutional Convention*, 1846, p. 86. Data relative to members of the convention are given in Shambaugh's *Fragments of the Debates of the Iowa Constitutional Conventions of 1844 and 1846*, pp. 413-415.

¹⁰⁶ *The Iowa Standard* (Iowa City), July 8, 1846.

¹⁰⁷ *The Iowa Standard* (Iowa City), July 22, 1846.

¹⁰⁸ Shambaugh's *History of the Constitutions of Iowa*, pp. 324-328.

¹⁰⁹ *Iowa Historical and Comparative Census, 1836-1880*, pp. xiii, xvi, xxi, 179-181, 187, 188, 189, 196.

¹¹⁰ Albert Gallatin, writing on banking in the United States in 1841, stated that "banking in America always implies the right and practice of issuing paper money as a substitute for a specie currency."—Callendar's *Selections from the Economic History of the United States, 1765-1860*, p. 596.

¹¹¹ *Treasury Report*, August 31, 1852, cited in Sumner's *A History of Banking in the United States*, p. 415, in *A History of Banking in All the Leading Nations*, Vol. I.

The States prohibiting banks were Florida, Texas, Arkansas, Illinois, Wisconsin, Iowa, Minnesota, Oregon, and California.

¹¹² Fairall's *Manual of Iowa Politics*, 1881, pp. 17, 18; Merritt's *The Early History of Banking in Iowa*, p. 129.

¹¹³ The author examined Dillon's *Iowa Digest*, 1839-1860, for cases pertaining to banking; the *Revision of 1860*; Greene's *Reports*, Vols. I-IV, covering cases tried between 1847 and 1854; and *Iowa Reports*, Vols. I-VII, covering cases tried between 1855 and 1859.

¹¹⁴ Pollock's *History of Economic Legislation in Iowa*, pp. 110-114.

¹¹⁵ *Code of 1851*, secs. 2731, 2732, 2733, 2734.

¹¹⁶ Major Hoyt Sherman, youngest brother of General William T. and Hon. John Sherman, came to Iowa in May, 1848. He settled in Des Moines, where he lived until his death in June, 1904. In 1853 he built the Sherman Block and there established the following year the bank of Hoyt Sherman and Company to do a legitimate banking and exchange business. This bank was merged into the Des Moines branch of the State Bank in 1858, of which branch Sherman was cashier. For more than a half century he was a resident of Iowa, and his contribution to the literature of early banking is of especial value.—Andrews's *Pioneers of Polk County, Iowa*, Vol. I, pp. 67, 68; Sherman's *Early Banking in Iowa* in *Annals of Iowa* (Third Series), Vol. V, p. 2.

¹¹⁷ Manuscript letter from J. T. Remey, President of the National State Bank, Burlington, Iowa, dated July 13, 1918.

- ¹¹⁸ *Hawkeye and Iowa Patriot* (Burlington), November 17, 1842.
- ¹¹⁹ From an account of banking in Cedar Rapids, by Dr. S. D. Carpenter, in Brewer and Wick's *History of Linn County, Iowa*, pp. 435-440.
- ¹²⁰ *The History of the First National Bank in the United States*, pp. 16-18, 91. This is a history of the First National Bank of Davenport, Iowa.
- ¹²¹ *History of Dubuque County* (Western Historical Company, Chicago, 1880), pp. 620, 621.
- ¹²² *Dubuque City Directory*, 1856-1857, p. 31.
- ¹²³ *History of Lee County, Iowa* (S. J. Clarke Publishing Co., Chicago, 1914), Vol. I, p. 253.
- ¹²⁴ Wolfe's *History of Clinton County, Iowa*, Vol. I, pp. 335, 336.
- ¹²⁵ Richman's *History of Muscatine County, Iowa*, Vol. I, ch. 20.
- ¹²⁶ *History of Lee County, Iowa* (S. J. Clarke Publishing Co., Chicago, 1914), Vol. I, p. 255.
- ¹²⁷ *Daily Evening Reporter* (Iowa City), May 28, August 20, 28, September 12, 1856.
- ¹²⁸ An account of banking in Cedar Rapids, by Dr. S. D. Carpenter, in Brewer and Wick's *History of Linn County, Iowa*, pp. 435-440.
- The firm of Greene and Weare evidently did not survive long for John Ely says the partnership was soon dissolved; "its affairs were liquidated and the partners were engaged for several years in saving what could be realized from the wreck".—Address of John S. Ely, Coe College Founders' Day, December 3, 1914.
- ¹²⁹ Parker's *Iowa As It Is In 1855*, pp. 262, 264.
- ¹³⁰ Andrews's *Pioneers of Polk County, Iowa*, Vol. I, pp. 56, 57, 69.
- ¹³¹ Hartman's *History of Black Hawk County, Iowa*, Vol. I, pp. 215, 247.
- ¹³² Burrell's *History of Washington County, Iowa*, Vol. I, p. 368; Parker's *Iowa As It Is In 1855*, p. 263.
- ¹³³ Field and Reed's *History of Pottawattamie County, Iowa*, Vol. I, pp. 19, 29.
- ¹³⁴ *The Sioux City Journal*, December 27, 1905; *The Sioux City Tribune*, August 11, 1907.
- ¹³⁵ *Proceedings of the Second Annual Convention of the Iowa Bankers Association*, 1888, p. 10; Sherman's *Early Banking in Iowa in Annals of Iowa* (Third Series), Vol. V, p. 2.
- ¹³⁶ An account of banking in Cedar Rapids, by Dr. S. D. Carpenter, in Brewer and Wick's *History of Linn County, Iowa*, pp. 435-440; *The Sioux City Tribune*, August 11, 1907.

- ¹³⁷ Sherman's *Early Banking in Iowa* in *Annals of Iowa* (Third Series), Vol. V, pp. 2, 3.
- ¹³⁸ *Daily Evening Reporter* (Iowa City), August 20, 28, 1856.
- ¹³⁹ *Daily Evening Reporter* (Iowa City), May 28, August 20, 28, September 12, 1856.
- ¹⁴⁰ *Daily Evening Reporter* (Iowa City), May 28, August 20, 28, September 12, 1856; *The Sioux City Tribune*, August 11, 1907.
- ¹⁴¹ Sherman's *Early Banking in Iowa* in *Annals of Iowa* (Third Series), Vol. V, p. 3.
- ¹⁴² Sherman's *Early Banking in Iowa* in *Annals of Iowa* (Third Series), Vol. V, p. 2 et seq.
- ¹⁴³ Burrell's *History of Washington County, Iowa*, Vol. I, p. 368.
- ¹⁴⁴ White's *Money and Banking* (Fifth Edition), pp. 316-319.
- ¹⁴⁵ Andrews's *Pioneers of Polk County, Iowa*, Vol. I, p. 57.
- ¹⁴⁶ Dewey's *State Banking Before the Civil War*, p. 100 et seq.
- ¹⁴⁷ Aurner's *Leading Events in Johnson County Iowa History*, Vol. I, pp. 445-447.
- ¹⁴⁸ Sherman's *Early Banking in Iowa* in *Annals of Iowa* (Third Series), Vol. V, p. 2 et seq.
- ¹⁴⁹ *Proceedings of the Seventh Annual Convention of the Iowa Bankers Association*, 1893, p. 77.
- ¹⁵⁰ Bolles's *The Financial History of the United States from 1789-1860*, p. 516.
- ¹⁵¹ Hepburn's *A History of Currency in the United States*, p. 66.
- ¹⁵² Bolles's *The Financial History of the United States from 1789-1860*, p. 516.
- ¹⁵³ Parker's *Iowa As It Is In 1855*, p. 264; Sherman's *Early Banking in Iowa* in *Annals of Iowa* (Third Series), Vol. V, p. 3.
- ¹⁵⁴ *Laws of the Territory of Nebraska*, 1855, title page and pp. 55, 225, 249, 250, 347, 348.
- ¹⁵⁵ Lathrop's *Some Iowa Bank History* in the *Iowa Historical Record*, Vol. XIII, p. 59.
- ¹⁵⁶ *Laws of the Territory of Nebraska*, 1855-1856, pp. 177, 178, 202, 203, 208, 209, 224, 225, 230.
- ¹⁵⁷ Brewer and Wick's *History of Linn County, Iowa*, p. 439.
- ¹⁵⁸ *Laws of the Territory of Nebraska*, 1855-1856, pp. 177, 178.
- ¹⁵⁹ *State Democrat* (Davenport), June 23, 1856, as quoted in the *Iowa City*

Republican, July 6, 1856; advertisement in the *Daily Evening Reporter* (Iowa City), September 12, 1856.

¹⁶⁰ Lathrop's *Some Iowa Bank History* in the *Iowa Historical Record*, Vol. XIII, p. 59.

¹⁶¹ Advertisement of Hatch Brothers in the *Iowa Weekly Republican* (Iowa City), February 23, 1859.

¹⁶² *The History of the First National Bank in the United States*, pp. 19-23.

¹⁶³ Andrews's *Pioneers of Polk County, Iowa*, Vol. I, p. 57.

¹⁶⁴ Lathrop's *Some Iowa Bank History* in the *Iowa Historical Record*, Vol. XIII, pp. 59, 60.

¹⁶⁵ *Laws of the Territory of Nebraska*, 1857, p. 131.

¹⁶⁶ *Laws of the Territory of Nebraska*, 1855-1856, pp. 37-40.

¹⁶⁷ *Laws of the Territory of Nebraska*, 1857, pp. 143, 145.

¹⁶⁸ *Annals of Iowa* (Third Series), Vol. V, pp. 52-55.

¹⁶⁹ *Iowa Weekly Republican* (Iowa City), February 23, 1859.

¹⁷⁰ Sherman's *Early Banking in Iowa* in *Annals of Iowa* (Third Series), Vol. V, facing p. 10; Andrews's *Pioneers of Polk County, Iowa*, Vol. I, p. 254.

¹⁷¹ *Tarbell v. A. J. Stevens & Co.*, 7 Iowa 163.

¹⁷² Springer's *History of Louisa County, Iowa*, Vol. I, facing p. 48.

¹⁷³ Aurner's *Leading Events in Johnson County Iowa History*, Vol. I, pp. 140, 141.

¹⁷⁴ *The Debates of the Constitutional Convention of the State of Iowa*, 1857, Vol. I, pp. 355-358.

¹⁷⁵ *The History of the First National Bank in the United States*, pp. 18, 19.

¹⁷⁶ Price's *The State Bank of Iowa* in *Annals of Iowa* (Third Series), Vol. I, pp. 270, 271.

¹⁷⁷ Lathrop's *Some Iowa Bank History* in the *Iowa Historical Record*, Vol. XIII, p. 60.

¹⁷⁸ Samples are on exhibition in the Iowa Masonic Library, Cedar Rapids, Iowa.

¹⁷⁹ Dewey's *Financial History of the United States*, p. 263.

¹⁸⁰ Brewer and Wick's *History of Linn County, Iowa*, p. 439; *The History of the First National Bank in the United States*, p. 23.

¹⁸¹ *The History of the First National Bank in the United States*, pp. 16-23.

¹⁸² Gue's *History of Iowa*, Vol. I, pp. 353, 354.

CHAPTER V

- ¹⁸³ Shambaugh's *History of the Constitutions of Iowa*, pp. 330, 333.
- ¹⁸⁴ Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. I, pp. 426, 444-447, 465, 466.
- ¹⁸⁵ Shambaugh's *History of the Constitutions of Iowa*, p. 335.
- ¹⁸⁶ Shambaugh's *History of the Constitutions of Iowa*, p. 337.
- ¹⁸⁷ McClain's *The Constitutional Convention and the Issues Before It*, pp. 14, 40; Shambaugh's *History of the Constitutions of Iowa*, p. 339.
- ¹⁸⁸ *Journal of the Constitutional Convention*, 1857, pp. 93-95.
- ¹⁸⁹ *The Debates of the Constitutional Convention of the State of Iowa*, 1857, Vol. I, pp. 393, 405.
- ¹⁹⁰ *Journal of the Constitutional Convention*, 1857, pp. 93-95.
- ¹⁹¹ *The Debates of the Constitutional Convention of the State of Iowa*, 1857, Vol. I, pp. 345-348, 373-377, 387, 388.
- ¹⁹² *Journal of the Constitutional Convention*, 1857, p. 158.
- ¹⁹³ *Journal of the Constitutional Convention*, 1857, pp. 238, 239, 267, 269, 271-278.
- ¹⁹⁴ *The Debates of the Constitutional Convention of the State of Iowa*, 1857, Vol. II, p. 786.
- ¹⁹⁵ *Journal of the Constitutional Convention*, 1857, pp. 275-278.
- ¹⁹⁶ *Constitution of Iowa*, 1857, Art. VIII, secs. 5-11.
- ¹⁹⁷ Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, p. 45.
- ¹⁹⁸ *Journal of the House of Representatives*, 1858, pp. 227, 587.
- ¹⁹⁹ *Journal of the Senate*, 1858, pp. 508-510.
- ²⁰⁰ Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, pp. 204, 205.
- ²⁰¹ *Laws of Iowa*, 1870, ch. 25.
- ²⁰² *Laws of Iowa*, 1858, ch. 114, secs. 7, 20.
- ²⁰³ *Laws of Iowa*, 1858, ch. 114, sec. 30.
- ²⁰⁴ *Journal of the House of Representatives*, 1858, pp. 535, 536.
- ²⁰⁵ *Laws of Iowa*, 1858, ch. 114, secs. 11, 30, 31.
- ²⁰⁶ *Laws of Iowa*, 1858, ch. 114, secs. 10, 22, 25, 26, 44.
- ²⁰⁷ *Laws of Iowa*, 1858, ch. 114, secs. 1, 3, 5, 16, 17, 18, 20, 21, 23, 35.
- ²⁰⁸ *Laws of Iowa*, 1858, ch. 114, secs. 15, 16, 28, 29, 30.

- ²⁰⁹ *Laws of Iowa*, 1858, ch. 114, secs. 41, 43.
- ²¹⁰ *Journal of the House of Representatives*, 1858, p. 517.
- ²¹¹ *Laws of Iowa*, 1858, ch. 114, sec. 1; *Journal of the House of Representatives*, 1858, p. 537.
- ²¹² *Laws of Iowa*, 1858, ch. 114 secs. 33, 36; *Journal of the Senate*, 1858, p. 491; *Laws of Iowa*, 1858, ch. 114, secs. 33, 36, 37, 39.
- ²¹³ *Journal of the House of Representatives*, 1858, pp. 587, 588.
- ²¹⁴ *Journal of the Senate*, 1860, p. 36.
- ²¹⁵ *Journal of the Senate*, 1860, pp. 677-679.
- ²¹⁶ *Laws of the United States Concerning Money, Banking, Loans, 1778-1909*, in *Senate Documents*, 61st Congress, 2nd Session, Vol. XXXIII, p. 362; *Laws of Iowa*, 1870, ch. 25.

CHAPTER VI

- ²¹⁷ Dewey's *State Banking Before the Civil War*, pp. 33-40; Dowrie's *The Development of Banking in Illinois, 1817-1863*, in the *University of Illinois Studies in the Social Sciences*, Vol. II, No. 4, pp. 22, 27; Sumner's *A History of Banking in the United States*, pp. 330, 333, 411, 439, in *A History of Banking in All the Leading Nations*, Vol. I; Huntington's *A History of Banking and Currency in Ohio Before the Civil War* in the *Ohio Archaeological and Historical Quarterly*, Vol. XXIV, No. 3, p. 481.
- ²¹⁸ *Constitution of Iowa*, 1857, Art. VIII, secs. 4-12.
- ²¹⁹ *Journal of the Senate*, 1858, pp. 174, 419; *Journal of the House of Representatives*, 1858, pp. 227, 600. The bill was introduced on February 6th and passed by the House on March 12th.
- ²²⁰ Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, p. 204.
- ²²¹ *Laws of Iowa*, 1858, ch. 87, sec. 51.
- ²²² *Laws of Iowa*, 1858, ch. 87, secs. 51-55.
- ²²³ Esarey's *State Banking in Indiana, 1814-1873*, in the *Indiana University Studies*, Vol. I, No. 15, pp. 251, 255.
- ²²⁴ Huntington's *A History of Banking and Currency in Ohio Before the Civil War* in the *Ohio Archaeological and Historical Quarterly*, Vol. XXIV, No. 3, pp. 424, 425.
- ²²⁵ Huntington's *A History of Banking and Currency in Ohio Before the Civil War* in the *Ohio Archaeological and Historical Quarterly*, Vol. XXIV, No. 3, p. 365.
- ²²⁶ Gue's *History of Iowa*, Vol. IV, p. 171.

- ²²⁷ *Journal of the Senate*, 1858, pp. 334, 356, 362, 364-367, 371, 377, 378.
- ²²⁸ Clark's *Samuel Jordan Kirkwood*, pp. ix, 47, 48.
- ²²⁹ *Laws of Iowa*, 1858, ch. 87, secs. 2, 51.
- ²³⁰ *Laws of Iowa*, 1858, ch. 87, sec. 5.
- ²³¹ *Laws of Iowa*, 1858, ch. 87, secs. 3, 11.
- ²³² *Laws of Iowa*, 1858, ch. 87, secs. 2, 19, 49.
- ²³³ *Journal of the Senate*, 1858, p. 374.
- ²³⁴ *Laws of Iowa*, 1858, ch. 87, secs. 18, 21, 42, 48, 49.
- ²³⁵ Dewey's *State Banking Before the Civil War*, pp. 117-120.
- ²³⁶ *Laws of Iowa*, 1858, ch. 87, secs. 20, 22, 42.
- ²³⁷ *Laws of Iowa*, 1858, ch. 87, secs. 23, 26, 28, 34.
- ²³⁸ *Laws of Iowa*, 1858, ch. 87, secs. 24-27.
- ²³⁹ *Laws of Iowa*, 1858, ch. 87, secs. 13, 32, 35.
- ²⁴⁰ Dewey's *State Banking Before the Civil War*, pp. 126-136.
- ²⁴¹ *Laws of Iowa*, 1858, ch. 87, secs. 3, 35.
- ²⁴² *Laws of Iowa*, 1858, ch. 87, secs. 28, 37.
- ²⁴³ *Laws of Iowa*, 1858, ch. 87, secs. 9, 26, 28, 38.
- ²⁴⁴ Record of the Board of Directors in the *Records of the Commissioners* (manuscript volume), pp. 53, 98.
- ²⁴⁵ *Laws of Iowa*, 1858, ch. 87, sec. 23.
- ²⁴⁶ *Laws of Iowa*, 1858, ch. 87, sec. 28.
- ²⁴⁷ Huntington's *A History of Banking and Currency in Ohio Before the Civil War in the Ohio Archaeological and Historical Quarterly*, Vol. XXIV, No. 3, pp. 423-425.
- ²⁴⁸ *Laws of Iowa*, 1858, ch. 87, secs. 7, 8, 12, 13.
- ²⁴⁹ Record of the Board of Directors in the *Records of the Commissioners* (manuscript volume), pp. 162, 182, 183, 201.
- ²⁵⁰ *Laws of Iowa*, 1858, ch. 87, secs. 9, 31.
- ²⁵¹ Record of the Board of Directors in the *Records of the Commissioners* (manuscript volume), pp. 267, 276.
- ²⁵² *Laws of Iowa*, 1858, ch. 87, secs. 9, 13; *Journal of the Senate*, 1858, pp. 347, 481; *Journal of the House of Representatives*, 1858, p. 594.
- ²⁵³ *Laws of Iowa*, 1858, ch. 87, sec. 9.
- ²⁵⁴ Record of the Board of Directors in the *Records of the Commissioners* (manuscript volume), p. 31.

²⁵⁵ *Iowa Weekly Republican* (Iowa City), January 5, 1859.

²⁵⁶ See Sherman's *The State Bank of Iowa* in *Annals of Iowa* (Third Series), Vol. V, pp. 93-116.

²⁵⁷ *Laws of Iowa*, 1858, ch. 87, sec. 6.

²⁵⁸ Price's *The State Bank of Iowa* in *Annals of Iowa* (Third Series), Vol. I, p. 274.

²⁵⁹ Record of the Board of Directors in the *Records of the Commissioners* (manuscript volume), pp. 132, 144, 150, et seq.

²⁶⁰ *Records of the Commissioners* (manuscript volume), pp. 1, 2.

²⁶¹ *Records of the Commissioners* (manuscript volume), pp. 3, 4, 6-8, 15.

²⁶² *Records of the Commissioners* (manuscript volume), pp. 12-19.

Of the eight towns chosen, four—Muscatine, Keokuk, Dubuque, and Davenport—were Mississippi River towns. Iowa City had been the early capital, Des Moines was then the capital. Oskaloosa is located in Mahaska County, and Mount Pleasant in Henry County. The population of the cities at the census of 1854 ranged from 1306 for Mount Pleasant to 6634 for Dubuque. Burlington, then the largest city in the State, was not admitted until the following year. The western half of the State and the northern part, with the exception of Dubuque on the Mississippi River, were not represented.—*Iowa Historical and Comparative Census, 1836-1880*, Table LXXXII.

²⁶³ Record of the Board of Directors in the *Records of the Commissioners* (manuscript volume), pp. 52, 65, 67, 94, 118, 164, 265.

²⁶⁴ Record of the Board of Directors in the *Records of the Commissioners* (manuscript volume), pp. 19-25.

²⁶⁵ Record of the Board of Directors in the *Records of the Commissioners* (manuscript volume), pp. 22, 32, 120.

²⁶⁶ Record of the Board of Directors in the *Records of the Commissioners* (manuscript volume), pp. 26, 29, 232.

²⁶⁷ Price's *The State Bank of Iowa* in *Annals of Iowa* (Third Series), Vol. I, p. 284.

²⁶⁸ Record of the Board of Directors in the *Records of the Commissioners* (manuscript volume), pp. 27-29.

²⁶⁹ Record of the Board of Directors in the *Records of the Commissioners* (manuscript volume), pp. 27, 306.

²⁷⁰ Record of the Board of Directors in the *Records of the Commissioners* (manuscript volume), pp. 150, 159.

²⁷¹ *Laws of Iowa*, 1858, ch. 87, sec. 4; Record of the Board of Directors in the *Records of the Commissioners* (manuscript volume), pp. 207, 223, 245.

²⁷² Record of the Board of Directors in the *Records of the Commissioners* (manuscript volume), pp. 42, 43, 99; *Circulation Register of the Iowa City Branch of the State Bank of Iowa* (manuscript) in the possession of The State Historical Society of Iowa.

²⁷³ Esarey's *State Banking in Indiana, 1814-1873*, in the *Indiana University Studies*, Vol. I, No. 15, p. 261.

²⁷⁴ Record of the Board of Directors in the *Records of the Commissioners* (manuscript volume), pp. 34, 91, 97, 197-199.

²⁷⁵ Record of the Board of Directors in the *Records of the Commissioners* (manuscript volume), pp. 122-131.

²⁷⁶ Record of the Board of Directors in the *Records of the Commissioners* (manuscript volume), pp. 247, 248, 258, 277.

²⁷⁷ Record of the Board of Directors in the *Records of the Commissioners* (manuscript volume), pp. 98, 153, 179, 231.

²⁷⁸ Pollock's *State Finances in Iowa During the Civil War* in *The Iowa Journal of History and Politics*, Vol. XVI, pp. 55-107. See especially pp. 71-73.

²⁷⁹ Lathrop's *Some Iowa Bank History* in the *Iowa Historical Record*, Vol. XIII, p. 63.

²⁸⁰ Pollock's *State Finances in Iowa During the Civil War* in *The Iowa Journal of History and Politics*, Vol. XVI, p. 100.

²⁸¹ Quoted in the *Iowa City Republican* (Weekly), September 6, 1865.

²⁸² *Iowa City Republican* (Weekly), March 2, 1864.

²⁸³ *Biennial Report of the Auditor of State*, 1859, p. 16, 1861, p. 18, 1863, p. 21.

²⁸⁴ Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, pp. 168, 169.

²⁸⁵ Record of the Board of Directors in the *Records of the Commissioners* (manuscript volume), pp. 207, 208, 214, 224-226, 228, 233. For record of suit against the Bank, the author consulted Hammond's *Iowa Digest*, Vol. II, (1860-1866) covering the Supreme Court cases.

²⁸⁶ Record of the Board of Directors in the *Records of the Commissioners* (manuscript volume), p. 77.

²⁸⁷ Record of the Board of Directors in the *Records of the Commissioners* (manuscript volume), pp. 78, 81, 165. See also Konde's *Banking in Iowa 1857-1874* for data on depreciation of bank notes.

²⁸⁸ *Laws of Iowa*, 1858, ch. 87, sec. 30.

²⁸⁹ Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, p. 167.

²⁹⁰ Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, p. 274; *Laws of Iowa*, 1862, ch. 17, sec. 2.

²⁹¹ Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, p. 324; *Laws of Iowa*, 1864, ch. 43, sec. 1.

²⁹² Andrews's *Pioneers of Polk County, Iowa*, Vol. I, pp. 57, 58; interview with H. J. Wienicke at Iowa City.

²⁹³ *Laws of Iowa*, 1864, ch. 53; Gue's *History of Iowa*, Vol. II, pp. 105-107; *The Muscatine Journal* was quoted in opposition and supported by the *Iowa City Republican* (Weekly), April 6, 1864.

²⁹⁴ Hepburn's *A History of Currency in the United States*, pp. 306-311; *Laws of the United States Concerning Money, Banking, and Loans, 1778-1909*, in *Senate Documents*, 61st Congress, 2nd Session, Vol. XXXIII, p. 362.

²⁹⁵ Record of the Board of Directors in the *Records of the Commissioners* (manuscript volume), pp. 240, 248.

²⁹⁶ *Laws of the United States Concerning Money, Banking, and Loans, 1778-1909*, in *Senate Documents*, 61st Congress, 2nd Session, Vol. XXXIII, pp. 328, 329.

²⁹⁷ Record of the Board of Directors in the *Records of the Commissioners* (manuscript volume), p. 285; *Iowa City Republican* (Weekly), November 30, 1864.

²⁹⁸ Record of the Board of Directors in the *Records of the Commissioners* (manuscript volume), pp. 291-295.

²⁹⁹ Record of the Board of Directors in the *Records of the Commissioners* (manuscript volume), pp. 298, 299.

³⁰⁰ Record of the Board of Directors in the *Records of the Commissioners* (manuscript volume), pp. 303, 304.

³⁰¹ Record of the Board of Directors in the *Records of the Commissioners* (manuscript volume), p. 308.

³⁰² *Circulation Register of the Iowa City Branch of the State Bank of Iowa* (manuscript) in possession of the State Historical Society.

³⁰³ Record of the Board of Directors in the *Records of the Commissioners* (manuscript volume), p. 291; Antrobus's *History of Des Moines County, Iowa*, Vol. I, p. 358; *Iowa City Republican* (Weekly), April 12, 1865; Andrews's *Pioneers of Polk County, Iowa*, Vol. I, p. 58; Burrell's *History of Washington County, Iowa*, Vol. I, p. 371; Roberts and Moorehead's *History of Lee County, Iowa*, p. 254; Sherman's *The State Bank of Iowa in Annals of Iowa* (Third Series), Vol. V, p. 109; *Record of Proceedings, Branch of the State Bank of Iowa at Iowa City* (manuscript volume), pp. 152, 153.

³⁰⁴ Sherman's *The State Bank of Iowa in Annals of Iowa* (Third Series), Vol. V, pp. 112-115; *Iowa City Republican* (Weekly), February 22, 1860,

February 20, 1861, July 23, 1862, December 23, 1863, April 20, 1864, January 18, April 27, 1865.

³⁰⁵ *Journal of the Senate*, 1858, pp. 367, 380.

³⁰⁶ Record of the Board of Directors in the *Records of the Commissioners* (manuscript volume), pp. 109, 249, 253.

³⁰⁷ Record of the Board of Directors in the *Records of the Commissioners* (manuscript volume), pp. 111, 137-139, 160, 169, 178, 183, 194, 217, 229, 241, 244, 256, 271, 280, 290, 301.

³⁰⁸ *Record of the Proceedings, Branch of the State Bank of Iowa at Iowa City* (manuscript volume), p. 153.

³⁰⁹ Hepburn's *A History of Currency in the United States*, p. 204.

³¹⁰ Half of the total capital of the State Bank of Indiana was owned by the State. The bank went into liquidation at the expiration of its charter in 1859. "The state of Indiana realized a net profit of \$3,500,000—over and above the interest paid on the bank bonds—from the bank during the twenty-five years of its existence."—White's *Money and Banking* (Fifth Edition), p. 336.

The State Bank of Ohio was "highly successful."—White's *Money and Banking* (Fifth Edition), p. 344.

The State Bank of Illinois began operations in July, 1821. The main office was located at Vandalia; branches were established at Edwardsville, Shawneetown, Palmyra, and Brownsville. It was entirely owned by the State. After an unsuccessful existence its affairs were finally wound up about 1835. The loss to the State was about \$460,000; the loss to individuals was much more.—Dowrie's *The Development of Banking in Illinois, 1817-1863*, in the *Illinois University Studies in the Social Sciences*, Vol. II, No. 4, 1913, pp. 27, 30, 57, 58; Knox's *History of Banking in the United States*, p. 716.

³¹¹ Esarey's *State Banking in Indiana, 1814-1873*, in the *Indiana University Studies*, Vol. I, No. 15, pp. 263, 264, 288-296.

³¹² Price's *The State Bank of Iowa in Annals of Iowa* (Third Series), Vol. I, p. 293.

CHAPTER VII

³¹³ Barnett's *State Banks and Trust Companies Since the Passage of the National-Bank Act* in *Senate Documents*, 61st Congress, 3rd Session, Vol. II, p. 11.

³¹⁴ Davis's *The Origin of the National Banking System* in *Senate Documents*, 61st Congress, 2nd Session, Vol. XXXV, pp. 1, 30-33.

³¹⁵ Davis's *The Origin of the National Banking System* in *Senate Documents*, 61st Congress, 2nd Session, Vol. XXXV, pp. 11, 14.

- ³¹⁶ Dewey's *Financial History of the United States*, p. 322.
- ³¹⁷ Davis's *The Origin of the National Banking System* in *Senate Documents*, 61st Congress, 2nd Session, Vol. XXXV, pp. 67-82, 101.
- ³¹⁸ *Laws of the United States Concerning Money, Banking, and Loans, 1778-1909*, in *Senate Documents*, 61st Congress, 2nd Session, Vol. XXXIII, pp. 330-362; White's *Money and Banking* (Fifth Edition), p. 351.
- ³¹⁹ *History of the First National Bank in the United States*, pp. 31-48; *Bankers' Magazine*, Vol. XVIII, p. 84 (July, 1863).
- ³²⁰ *Iowa City Republican* (Weekly), July 15, 1863, January 27, 1864.
- ³²¹ *The Northwestern Banker*, June, 1914, p. 18; *Report of the Secretary of the Treasury* (Finance Report), 1863, pp. 49, 60; *Annual Report of the Comptroller of the Currency*, 1916, Vol. II, p. 379.
- ³²² Davis's *The Origin of the National Banking System* in *Senate Documents*, 61st Congress, 2nd Session, Vol. XXXV, pp. 95, 96.
- ³²³ *Annual Report of the Comptroller of the Currency*, 1917, Vol. II, pp. 124, 125.
- ³²⁴ Pollock's *State Finances in Iowa During the Civil War* in *The Iowa Journal of History and Politics*, Vol. XVI, p. 106; *History of the First National Bank in the United States*, p. 40; *Iowa City Republican* (Weekly), February 8, 1865.
- ³²⁵ *Report of the Secretary of the Treasury* (Finance Report), 1876, pp. 185, 234.
- ³²⁶ *Biennial Report of the Auditor of State*, 1875, pp. 13-15, 87-90.
- ³²⁷ Barnett's *State Banks and Trust Companies Since the Passage of the National-Bank Act* in *Senate Documents*, 61st Congress, 3rd Session, Vol. II, facing p. 250.
- ³²⁸ Barnett's *State Banks and Trust Companies Since the Passage of the National-Bank Act* in *Senate Documents*, 61st Congress, 3rd Session, Vol. II, p. 206.
- ³²⁹ Barnett's *State Banks and Trust Companies Since the Passage of the National-Bank Act* in *Senate Documents*, 61st Congress, 3rd Session, Vol. II, p. 11.
- ³³⁰ *Laws of Iowa*, 1870, ch. 25.
- ³³¹ *Revision of 1860*, sec. 1636. This law was chapter 129 of the laws passed in 1860.
- ³³² *American Statute Law*, Vol. II, sec. 9500, p. 572, quoted in Barnett's *State Banks and Trust Companies Since the Passage of the National-Bank Act* in *Senate Documents*, 61st Congress, 3rd Session, Vol. II, p. 11.
- ³³³ The Iowa Department of Banking has no statements on file which were

made to the auditor before 1873.—Manuscript letter from Mrs. Sarah G. French, Legal Clerk, dated August 11, 1919.

³³⁴ According to a manuscript letter to the State Historical Society, dated July 26, 1918, and signed by E. C. Youngstrom, Recorder of Des Moines County, the articles of incorporation of the Des Moines County Savings Bank are found of record in Mortgage Volume No. 10, at p. 309. The articles of the Merchants Insurance Company and Burlington Savings Bank are recorded in Mortgage Volume No. 9, at p. 602. The recorder states that the articles contain seventeen long paragraphs each and that he was therefore unable to give any further information concerning them.

The original information concerning them was found in Antrobus's *History of Des Moines County, Iowa*, p. 357. Mr. Antrobus states that he secured all of his information concerning them, including the date of incorporation, from the records of the county recorder.

³³⁵ *History of the First National Bank in the United States*, p. 39.

³³⁶ Roberts and Moorehead's *History of Lee County, Iowa*, p. 254.

³³⁷ Downer's *History of Davenport and Scott County, Iowa*, Vol. I, p. 759.

³³⁸ *Laws of Iowa*, 1870, ch. 172, secs. 2, 11.

³³⁹ *Census of Iowa*, 1905, pp. c, ci.

³⁴⁰ *Biennial Report of the Auditor of State*, 1873, pp. 60, 61, 101-104, 1875, pp. 13-15, 87-90.

³⁴¹ *Code of 1873*, secs. 1570-1576; Pollock's *History of Economic Legislation in Iowa*, p. 188.

³⁴² Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. III, p. 379.

³⁴³ Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. IV, pp. 55, 83-86.

³⁴⁴ *Laws of Iowa*, 1874, ch. 60.

³⁴⁵ *Biennial Report of the Auditor of State*, 1875, pp. 13-15, 87-90.

CHAPTER VIII

³⁴⁶ Hepburn's *A History of Currency in the United States*, p. 321.

³⁴⁷ *Biennial Report of the Auditor of State*, 1875, pp. 13, 14.

³⁴⁸ Hepburn's *A History of Currency in the United States*, pp. 306-320.

³⁴⁹ *Report of the Comptroller of the Currency*, 1917, Vol. II, pp. 36, 357.

³⁵⁰ Haynes's *Third Party Movements*, pp. 124, 125, 141, 167.

³⁵¹ Noyes's *History of the National-Bank Currency in Senate Documents*,

61st Congress, 2nd Session, Vol. XII, p. 11; *Report of the Comptroller of the Currency*, 1916, Vol. II, p. 154.

³⁵² *Report of the Comptroller of the Currency*, 1882, p. 19.

³⁵³ *Report of the Comptroller of the Currency*, 1890, p. 41.

³⁵⁴ *Report of the Comptroller of the Currency*, 1916, Vol. II, p. 379.

³⁵⁵ Dewey's *Financial History of the United States*, pp. 468-473; *Laws of the United States Concerning Money, Banking, and Loans, 1778-1909*, in *Senate Documents*, 61st Congress, 2nd Session, Vol. XXXIII, pp. 446-448.

³⁵⁶ *Biennial Report of the Auditor of State*, 1901, p. 251.

³⁵⁷ *Report of the Comptroller of the Currency*, 1920, Vol. II, p. 318.

³⁵⁸ *Biennial Report of the Auditor of State*, 1875, pp. 14, 15, 1883, pp. 89, 90; Pollock's *History of Economic Legislation in Iowa*, p. 188.

³⁵⁹ *Laws of Iowa*, 1880, chs. 153, 208.

³⁶⁰ *Laws of Iowa*, 1886, ch. 72.

³⁶¹ *Laws of Iowa*, 1894, chs. 29, 30.

³⁶² *Code of 1897*, secs. 1863, 1864, 1866, 1867, 1882, 1889.

³⁶³ *Laws of Iowa*, 1902, ch. 76.

³⁶⁴ *Laws of Iowa*, 1907, ch. 91.

³⁶⁵ *Laws of Iowa*, 1913, chs. 151, 152, 1915, chs. 13, 121.

³⁶⁶ *Laws of Iowa*, 1917, ch. 189.

³⁶⁷ *Laws of Iowa*, 1919, ch. 67.

³⁶⁸ *Laws of Iowa*, 1919, ch. 319.

³⁶⁹ Barnett's *State Banks and Trust Companies Since the Passage of the National-Bank Act* in *Senate Documents*, 61st Congress, 3rd Session, Vol. II, p. 222.

³⁷⁰ *Special Report from the Banks of the United States* (April 28, 1909) in *Senate Documents*, 61st Congress, 2nd Session, No. 225, pp. 13, 14.

³⁷¹ *Annual Report of the Secretary of the Treasury*, 1917, p. 627.

³⁷² *Laws of Iowa*, 1874, ch. 60, sec. 9.

³⁷³ *Biennial Report of the Auditor of State*, 1901, pp. 252, 253.

³⁷⁴ *Supplement to Special Report from the Banks of the United States* (April 28, 1909) in *Senate Documents*, 61st Congress, 2nd Session, No. 225, Pt. II, p. 85.

³⁷⁵ *Laws of Iowa*, 1874, ch. 60, sec. 10, 1906, ch. 78, 1913, ch. 149, 1917, ch. 364.

³⁷⁶ *Code of 1897*, ch. 10, sec. 1860.

³⁷⁷ *Laws of Iowa*, 1915, ch. 107; *Proceedings of the Twenty-ninth Annual Convention of the Iowa Bankers Association*, 1915, p. 29.

³⁷⁸ *Laws of Iowa*, 1917, ch. 189.

³⁷⁹ *Laws of Iowa*, 1919, ch. 319.

³⁸⁰ *Laws of Iowa*, 1900, ch. 67, 1902, ch. 167, 1913, ch. 151.

³⁸¹ *Laws of Iowa*, 1894, ch. 29, 1900, ch. 67, 1917, ch. 218.

³⁸² *Laws of Iowa*, 1917, ch. 357; *Proceedings of the Thirty-first Annual Convention of the Iowa Bankers Association*, 1917, p. 156.

³⁸³ *Code of 1897*, sec. 1870; *Laws of Iowa*, 1902, ch. 76, 1915, ch. 77.

³⁸⁴ *Laws of Iowa*, 1888, ch. 89; *Code of 1897*, ch. 10, sec. 1845; *Laws of Iowa*, 1913, ch. 150, 1917, ch. 238, 1921, ch. 70.

³⁸⁵ *Biennial Report of the Auditor of State*, 1916, Table No. 4; *Report of the Comptroller of the Currency*, 1916, pp. 570-581.

The Iowa National Bank of Des Moines with total resources of \$10,625,454 led the national banks and was the second largest bank in the State.

³⁸⁶ *Code of 1897*, sec. 1889.

³⁸⁷ *Special Report from the Banks of the United States* (April 28, 1909) in *Senate Documents*, 61st Congress, 2nd Session, No. 225, p. 16; *Biennial Report of the Auditor of State*, 1916, Pt. III, p. 3.

³⁸⁸ *Laws of Iowa*, 1900, ch. 68, 1904, ch. 65.

³⁸⁹ *Laws of Iowa*, 1913, ch. 152; *Proceedings of the Twenty-seventh Annual Convention of the Iowa Bankers Association*, 1913, pp. 102-109.

³⁹⁰ *Laws of Iowa*, 1915, ch. 121.

³⁹¹ From 1877 to 1909 the figures were compiled for the National Monetary Commission from the Homans's *Bankers' Almanac* and its continuations. Barnett's *State Banks and Trust Companies Since the Passage of the National-Bank Act* in *Senate Documents*, 61st Congress, 3rd Session, Vol. II, facing p. 250. From 1909 to 1920 the data have been obtained from Rand, McNally and Company's *Bankers' Directory*.

Wherever possible the statistics have been checked by reports of the State Auditor, the Iowa Bankers Association, the Governor's messages, or other sources from which information may be obtained. There is some variation shown but the author's opinion is that the error is small.—Shambaugh's *Messsages and Proclamations of the Governors of Iowa*, Vol. VI, p. 154; *Biennial Report of the Auditor of State*, 1916, pp. 6, 7.

³⁹² Shambaugh's *Messsages and Proclamations of the Governors of Iowa*, Vol. IV, p. 364; *Biennial Report of the Auditor of State*, 1877, p. 16, 1879, pp. 16, 17.

³⁹³ *Biennial Report of the Auditor of State*, 1881, pp. 14, 15; Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. V, p. 172.

³⁹⁴ *Biennial Report of the Auditor of State*, 1885, p. 135.

³⁹⁵ *Biennial Report of the Auditor of State*, 1905, pp. xiii, xiv.

³⁹⁶ *Proceedings of the Fourth Annual Convention of the Iowa Bankers Association*, 1890.

³⁹⁷ *Proceedings of the Fifth Annual Convention of the Iowa Bankers Association*, 1891, pp. 50-59.

³⁹⁸ *Proceedings of the Twenty-sixth Annual Convention of the Iowa Bankers Association*, 1912, pp. 24, 25.

³⁹⁹ *Journal of the Senate*, 1915, p. 778; *Proceedings of the Thirty-first Annual Convention of the Iowa Bankers Association*, 1917, p. 156.

⁴⁰⁰ Barnett's *State Banks and Trust Companies Since the Passage of the National-Bank Act* in *Senate Documents*, 61st Congress, 3rd Session, Vol. 11, pp. 213-219; Rand, McNally and Company's *Bankers' Directory*, January, 1919, p. 15.

⁴⁰¹ *Laws of Iowa*, 1919, ch. 236. In this discussion we have used the term "private bank" to mean "those who, without being incorporated carry on the business of banking." See Barnett's *State Banks and Trust Companies Since the Passage of the National-Bank Act* in *Senate Documents*, 61st Congress, 3rd Session, Vol. II, p. 10.

In the Iowa statute the language used in defining private banks for the purposes of the act is as follows: "any individual, partnership, or unincorporated association, or corporation other than national banking associations, not subject to the supervision or examination of the banking department."

⁴⁰² *Special Report from the Banks of the United States* (April 28, 1909) in *Senate Documents*, 61st Congress, 2nd Session, No. 225, p. 28.

⁴⁰³ *Report of the Comptroller of the Currency*, 1918, Vol. I, pp. 112, 113.

⁴⁰⁴ *Proceedings of the Thirty-fourth Annual Convention of the Iowa Bankers Association*, 1920, p. 312.

⁴⁰⁵ Rand, McNally and Company's *Bankers' Directory*, January 1921, p. 6; *Federal Reserve Bulletin*, June, 1920, p. 644.

⁴⁰⁶ *Report of the Comptroller of the Currency*, 1918, Vol. I, pp. 112, 113.

⁴⁰⁷ Data for the national banks, 1863-1919, were taken from the *Report of the Comptroller of the Currency*, Vol. II, 1919, pp. 317, 318; data on State Banks, 1877-1909, are taken from Barnett's *State Banks and Trust Companies Since the Passage of the National-Bank Act* in *Senate Documents*, 61st Congress, 3rd Session, Vol. II, table facing p. 248; all others are taken from the *Biennial Reports of the Auditor of State* and the *Biennial Report of the Superintendent of Banking*, 1918; the statistics for the savings banks were all taken

from the *Biennial Reports of the Auditor of State* and the *Biennial Report of the Superintendent of Banking*, 1918; the State Auditor's report for 1895, p. 202, gives continuous statistics, 1875-1895; the record of the State and savings banks combined is found in the *Biennial Report of the Auditor of State*, 1895, p. 204, and in the *Biennial Report of the Superintendent of Banking*, 1918, p. 17, where the combined record for each year since 1891 is to be found; trust company statistics are taken from the biennial reports of the Auditor of State for the years 1908-1916 and for the years 1917-1918 from the *Biennial Report of the Superintendent of Banking*, 1918; statistics of private banks, 1877-1909, are from Barnett's *State Banks and Trust Companies Since the Passage of the National-Bank Act* in *Senate Documents*, 61st Congress, 3rd Session, Vol. II, facing p. 250. (These were compiled originally from Homans's *Bankers' Almanac*.) From 1909-1919 the private bank record was compiled from the January number of Rand, McNally and Company's *Bankers' Directory* for each year.

⁴⁰⁸ *Biennial Report of the Auditor of State*, 1895, p. 204; *Biennial Report of the Superintendent of Banking*, 1918, p. 17; *Abstracts of Reports of the Condition of Iowa Savings Banks, State Banks and Trust Companies*, June 30, 1919.

⁴⁰⁹ *Supplement to Special Report from the Banks of the United States* (April 28, 1909) in *Senate Documents*, 61st Congress, 2nd Session, No. 225, Pt. II, pp. 83-89.

⁴¹⁰ Brigham's *History of Des Moines and Polk County, Iowa*, Vol. I, p. 540.

⁴¹¹ Downer's *History of Davenport and Scott County, Iowa*, Vol. I, p. 758; manuscript letter from L. M. Ashley, Assistant Cashier of the First National Bank of Sioux City, dated July 21, 1920.

⁴¹² Brewer and Wick's *History of Linn County, Iowa*, pp. 442, 443.

⁴¹³ Rand, McNally and Company's *Bankers' Directory* listed Cedar Rapids, Davenport, Des Moines, Dubuque, Estherville, Mason City, Muscatine, Osage, Sioux City, and Waterloo. A list of towns having clearing houses, supplied by Frank Warner, Secretary of the Iowa Bankers Association, included only part of the towns given in the *Directory* but added Clinton, Council Bluffs, and Fort Dodge to the list. Iowa City was not included in either list but exchanges made by the banks of the city are regularly reported in the annual reports of the Comptroller of the Currency.—Rand, McNally and Company's *Bankers' Directory*, January, 1919, p. 24; manuscript letter from Frank Warner dated September 4, 1918.

⁴¹⁴ Manuscript letter from W. J. Gilpin, manager New York Clearing House, dated July 20, 1920; *Report of the Comptroller of the Currency*, 1919, Vol. II, p. 830, 1920, Vol. II, pp. 851-853.

⁴¹⁵ *The Northwestern Banker*, December, 1907, p. 31; Sprague's *History of Crises Under the National Banking System* in *Senate Documents*, 61st Congress, 2nd Session, Vol. XXV, pp. 434-459.

⁴¹⁶ Interview with Frank Warner, Des Moines, Iowa, July 16, 1921; *Report of the Comptroller of the Currency*, 1920, Vol. II, pp. 128, 129.

The First National Bank of Ida Grove was formerly in voluntary liquidation. The First National Bank of Sioux City was restored to solvency.

⁴¹⁷ *Biennial Report of the Auditor of State*, 1893, p. 8d, 1895, p. 8, 1897, p. 10, 1899, p. 201, 1901, p. xi, 1916, Pt. III, p. 3; *Biennial Report of the Superintendent of Banking*, 1918, pp. 5-17; *Proceedings of the Eighth Annual Convention of the Iowa Bankers Association*, 1894, pp. 9, 46; *Proceedings of the Twenty-fourth Annual Convention of the Iowa Bankers Association*, 1910, p. 71; *The Northwestern Banker*, January 1905, p. 13; letter from the Department of Banking, July 21, 1921.

⁴¹⁸ *Proceedings of the Eighth Annual Convention of the Iowa Bankers Association*, 1894, p. 46.

⁴¹⁹ *The Northwestern Banker*, January, 1905, p. 13; interview with Frank Warner, Des Moines, Iowa, July 16, 1921.

⁴²⁰ *Biennial Report of the Auditor of State*, 1916, Pt. III, p. 6; *Biennial Report of the Superintendent of Banking*, 1918, pp. 9, 10.

⁴²¹ *Report of the Comptroller of the Currency*, 1919, Vol. I, pp. 33, 34, Vol. II, pp. 524, 525.

⁴²² *Biennial Report of the Superintendent of Banking*, 1918, p. 5.

CHAPTER IX

⁴²³ *Laws of the United States Concerning Money, Banking, and Loans, 1778-1909*, in *Senate Documents*, 61st Congress, 2nd Session, Vol. XXXIII, p. 347.

⁴²⁴ *Laws of the United States Concerning Money, Banking, and Loans, 1778-1909*, in *Senate Documents*, 61st Congress, 2nd Session, Vol. XXXIII, pp. 367, 368.

⁴²⁵ Holdsworth's *Money and Banking*, p. 279.

⁴²⁶ *Laws of Iowa*, 1858, ch. 114.

⁴²⁷ *Revision of 1860*, sec. 1636.

⁴²⁸ The Department of Banking has no statements on file in the office which were made to the Auditor of State between the years 1860 and 1873.—Manuscript letter from Mrs. Sarah G. French, Legal Clerk of the Department of Banking, dated August 11, 1919.

⁴²⁹ *Code of 1873*, secs. 1570-1576.

⁴³⁰ *Biennial Report of the Auditor of State*, 1873, pp. 60, 61, 101-104.

⁴³¹ *Laws of Iowa*, 1874, ch. 60.

⁴³² *Code of 1897*, secs. 1872-1874; *Laws of Iowa*, 1921, chs. 69, 71.

⁴³³ *Proceedings of the Eleventh Annual Convention of the Iowa Bankers Association*, 1897, p. 94.

⁴³⁴ *Biennial Report of the Auditor of State*, 1903, p. xiii.

⁴³⁵ *Laws of Iowa*, 1911, ch. 83.

⁴³⁶ Manuscript letter from Mrs. Sarah G. French, Legal Clerk of the Department of Banking, dated August 11, 1919.

⁴³⁷ *Biennial Report of the Auditor of State*, 1899, p. x, 1903, p. xiii, 1910, p. x, 1912, p. xi; *Proceedings of the Twenty-fourth Annual Convention of the Iowa Bankers Association*, 1910, p. 74.

⁴³⁸ *The Des Moines Register*, August 7, 1919.

⁴³⁹ *Laws of the United States Concerning Money, Banking, and Loans*, 1778-1909, in *Senate Documents*, 61st Congress, 2nd Session, Vol. XXXIII, pp. 357, 358, 415.

⁴⁴⁰ *Proceedings of the Twenty-second Annual Convention of the Iowa Bankers Association*, 1908, pp. 89, 90.

⁴⁴¹ *Index-Digest of the Federal Reserve Act and Amendments* (Second Edition), pp. 42-44.

⁴⁴² Holdsworth's *Money and Banking*, p. 280.

⁴⁴³ *Index-Digest of the Federal Reserve Act and Amendments* (Second Edition), p. 42.

⁴⁴⁴ *Code of 1873*, secs. 1570-1576; *Biennial Report of the Auditor of State*, 1879, p. 16, 1881, p. 15, 1885, p. 135, 1887, p. 2; letter from W. O. Reed, Deputy Superintendent of Banking, July 21, 1921.

⁴⁴⁵ *Laws of Iowa*, 1890, ch. 50.

⁴⁴⁶ *Laws of Iowa*, 1904, ch. 64.

⁴⁴⁷ *Laws of Iowa*, 1906, ch. 81.

⁴⁴⁸ *Laws of Iowa*, 1909, ch. 115.

⁴⁴⁹ *Laws of Iowa*, 1915, ch. 313.

⁴⁵⁰ *Laws of Iowa*, 1917, ch. 40.

⁴⁵¹ *Laws of Iowa*, 1919, ch. 335; *Iowa Bankers Association Bulletin No. 439*, Vol. XIV, April 26, 1919, p. 4.

⁴⁵² *Biennial Report of the Auditor of State*, 1893, p. 8e; *Laws of Iowa*, 1894, ch. 30.

⁴⁵³ *Biennial Report of the Auditor of State*, 1905, p. xiv; *Laws of Iowa*, 1906, ch. 80.

⁴⁵⁴ Letter from Mrs. Sarah G. French, Legal Clerk of the Department of Banking, dated August 11, 1919.

- ⁴⁵⁵ *Biennial Report of the Auditor of State*, 1883, pp. 90, 91, 1885, pp. 135, 136; Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. V, p. 331.
- ⁴⁵⁶ Pollock's *History of Economic Legislation in Iowa*, p. 167.
- ⁴⁵⁷ Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. V, p. 261.
- ⁴⁵⁸ *Proceedings of the Twenty-sixth Annual Convention of the Iowa Bankers Association*, 1912, p. 143; letter from Frank Warner, July 27, 1921.
- ⁴⁵⁹ *Laws of Iowa*, 1917, ch. 40.
- ⁴⁶⁰ *The Northwestern Banker*, April, 1917, p. 15, February, 1920, p. 36.
- ⁴⁶¹ *Laws of Iowa*, 1917, ch. 40.
- ⁴⁶² *Laws of Iowa*, 1919, ch. 335, 1921, chs. 209, 340.
- ⁴⁶³ *Laws of Iowa*, 1919, ch. 236; *Iowa Bankers Association Bulletin No. 967*, p. 10.
- ⁴⁶⁴ *Proceedings of the Thirty-second Annual Convention of the Iowa Bankers Association*, 1918, p. 164.
- ⁴⁶⁵ *The Des Moines Register*, July, 1919; letter from Mrs. Sarah G. French, dated Des Moines, September 16, 1920.
- ⁴⁶⁶ It is the practice of the Comptroller to reject a considerable number of applications. During the year ending October 31, 1918, applications for charters for 22 banks were rejected and 35 applications for charters were abandoned.—*Report of the Comptroller of the Currency*, 1918, Vol. I, p. 63.
- ⁴⁶⁷ Whitney's *The Overdraft Evil as Illustrated by Conditions in Iowa in The American Economic Review*, Vol. VIII, pp. 48-61.
- ⁴⁶⁸ *Laws of Iowa*, 1919, ch. 144.

CHAPTER X

- ⁴⁶⁹ *Special Report from the Banks of the United States* (April 28, 1909) in *Senate Documents*, 61st Congress, 2nd Session, No. 225, preface and p. 19.
- ⁴⁷⁰ Willis's *The Federal Reserve*, p. 38; White's *Money and Banking* (Fifth Edition), pp. 453-466, 528.
- ⁴⁷¹ *Congressional Record*, 63rd Congress, 1st Session, pp. 4894, 5129.
- ⁴⁷² *The Northwestern Banker*, January, 1914, p. 28.
- ⁴⁷³ *The Northwestern Banker*, February, 1914, p. 31; *Proceedings of the Twenty-eighth Annual Convention of the Iowa Bankers Association*, 1914, pp. 36, 37.
- ⁴⁷⁴ *Federal Reserve Bulletin*, March, 1920, p. 308.

⁴⁷⁵ Manuscript letter from the Reserve Bank Organization Committee, dated March 6, 1914.

⁴⁷⁶ *Fifth Annual Report of the Federal Reserve Board*, 1918, p. 25.

⁴⁷⁷ The Federal Reserve Act, sec. 9.

⁴⁷⁸ Cities in Iowa which have been designated as reserve cities are Cedar Rapids, Des Moines, Dubuque, and Sioux City.—*Report of the Comptroller of the Currency*, 1919, Vol. I, pp. 62, 63.

⁴⁷⁹ *Index-Digest of the Federal Reserve Act and Amendments* (Second Edition), pp. 16-19, 40, 41.

⁴⁸⁰ *The Northwestern Banker*, February, 1914, p. 25.

⁴⁸¹ *Laws of Iowa*, 1915, ch. 13.

⁴⁸² *Fifth Annual Report of the Federal Reserve Board*, 1918, p. 546.

⁴⁸³ *Proceedings of the Twenty-ninth Annual Convention of the Iowa Bankers Association*, 1915, pp. 75-78.

⁴⁸⁴ *Proceedings of the Thirtieth Annual Convention of the Iowa Bankers Association*, 1916, pp. 25-28.

⁴⁸⁵ *Proceedings of the Thirtieth Annual Convention of the Iowa Bankers Association*, 1916, pp. 95-107.

⁴⁸⁶ *Fifth Annual Report of the Federal Reserve Board*, 1918, pp. 29, 540, 565, 566; *Sixth Annual Report of the Federal Reserve Board*, 1919, p. 39; *Federal Reserve Bulletin*, June, 1921, p. 673.

⁴⁸⁷ *Proceedings of the Thirtieth Annual Convention of the Iowa Bankers Association*, 1916, pp. 89-94.

⁴⁸⁸ *Fourth Annual Report of the Federal Reserve Board*, 1917, p. 9.

⁴⁸⁹ *Fifth Annual Report of the Federal Reserve Board*, 1918, pp. 224, 225, 546.

⁴⁹⁰ *Proceedings of the Thirty-second Annual Convention of the Iowa Bankers Association*, 1918, pp. 92, 137-139, 140, 164.

⁴⁹¹ *Proceedings of the Thirty-third Annual Convention of the Iowa Bankers Association*, 1919, pp. 137-145; *The Northwestern Banker*, June, 1921, p. 42; *Proceedings of the Thirty-fourth Annual Convention of the Iowa Bankers Association*, 1920, p. 172.

⁴⁹² *Farm Land Values in Iowa*, (Bulletin No. 874 issued by the United States Department of Agriculture); Miller's *Federal Reserve Policy in The American Economic Review*, June, 1921, pp. 177-206; Abstracts Nos. 52-57 of the *Reports of the Savings Banks, State Banks, and Trust Companies of the State of Iowa*; *Bulletin of the National City Bank of New York*, December 20, 1920, p. 15; *Reports to the Thirty-fifth Annual Convention of the Iowa Bankers Association*, 1921, pp. 48-51; *Sixth Annual Report of the Federal Reserve Board*, 1919, p. 408; *Seventh Annual Report of the Federal Reserve Board*, 1920, p. 58.

⁴⁹³ *Laws of Iowa*, 1919, chs. 67, 319.

⁴⁹⁴ Manuscript letter from D. H. Hedrick, President of the Battle Creek Savings Bank, dated January 7, 1919 (statement at the close of business on May 12, 1919); *Fifth Annual Report of the Federal Reserve Board*, 1918, p. 543.

⁴⁹⁵ *Index-Digest of the Federal Reserve Act and Amendments* (Second Edition), pp. 24, 25; *Fourth Annual Report of the Federal Reserve Board*, 1917, pp. 23, 24, 181-183; *State Banks in Federal Reserve System in Senate Documents*, 66th Congress, 2nd Session, No. 184.

⁴⁹⁶ Personal interview with Mark R. Lies, representing the Federal Reserve Bank of Chicago, in Chicago, September 12, 1919; *Fifth Annual Report of the Federal Reserve Board*, 1918, pp. 74-77, 557-559; *Federal Reserve Bulletin*, January, 1920, facing p. 94; *State Banks in the Federal Reserve System in Senate Documents*, 66th Congress, 2nd Session, No. 184; Preston's *The Federal Reserve Banks' System of Par Collections in The Journal of Political Economy*, July, 1920, pp. 565-590; *The Northwestern Banker*, April, 1920, pp. 37, 52, June, 1920, pp. 15, 156, 158; *Annual Reports of the Thirty-fourth Convention of the Iowa Bankers Association*, 1920, pp. 20, 21.

⁴⁹⁷ *Index-Digest of the Federal Reserve Act and Amendments* (Second Edition), pp. 51, 53, 54.

⁴⁹⁸ *Fifth Annual Report of the Federal Reserve Board*, 1918, pp. 24, 25.

⁴⁹⁹ *Index-Digest of the Federal Reserve Act and Amendments* (Second Edition), pp. 44, 45.

⁵⁰⁰ *Index-Digest of the Federal Reserve Act and Amendments* (Second Edition), p. 23, sec. 11k.

⁵⁰¹ *Laws of Iowa*, 1915, ch. 121.

⁵⁰² *Second Annual Report of the Federal Reserve Board*, 1915, p. 12.

⁵⁰³ *Fourth Annual Report of the Federal Reserve Board*, 1917, p. 26.

⁵⁰⁴ *Fourth Annual Report of the Federal Reserve Board*, 1917, pp. 446, 447; *Fifth Annual Report of the Federal Reserve Board*, 1918, p. 570; *Sixth Annual Report of the Federal Reserve Board*, 1919, p. 408; *Seventh Annual Report of the Federal Reserve Board*, 1920, p. 480.

⁵⁰⁵ *Fifth Annual Report of the Federal Reserve Board*, 1918, pp. 71, 262.

⁵⁰⁶ *Index-Digest of the Federal Reserve Act and Amendments* (Second Edition), p. 40.

⁵⁰⁷ *Index-Digest of the Federal Reserve Act and Amendments* (Second Edition), pp. 27, 28.

⁵⁰⁸ *Index-Digest of the Federal Reserve Act and Amendments* (Second Edition), p. 26; *Laws of Iowa*, 1919, ch. 66.

⁵⁰⁹ Federal Reserve Act, sec. 27.

⁵¹⁰ *Proceedings of the Twenty-ninth Annual Convention of the Iowa Bankers Association*, 1915, p. 30.

CHAPTER XI

⁵¹¹ *Code of 1897*, secs. 1890, 1897, 1898.

⁵¹² *Bulletin of the Bureau of Labor* (United States), 1904, Vol. IX, p. 1492; *Rosenthal's Building, Loan and Savings Associations*, pp. 13-15.

⁵¹³ *Bulletin of the Bureau of Labor* (United States), 1904, Vol. IX, pp. 1491-1494; *Ninth Annual Report of the Commissioner of Labor*, 1893, p. 15; *American Building Association News*, Vol. XXXVIII, No. 10, October 1918, cover page.

⁵¹⁴ *Report of the Comptroller of the Currency*, 1919, Vol. I, p. 206; *Proceedings of the Twenty-fourth Annual Convention of the United States League of Local Building and Loan Associations*, 1916, p. 13; *Ohio General Statistics*, Vol. II, 1916, p. 186; *Biennial Report of the Auditor of State*, 1916, Pt. IV, pp. 3-13.

⁵¹⁵ *Laws of Iowa* (Public), 1872, chs. 30, 101.

⁵¹⁶ *Laws of Iowa*, 1896, ch. 85.

⁵¹⁷ *Biennial Report of the Auditor of State*, 1897, pp. 13-20, 161-257.

⁵¹⁸ *Ninth Annual Report of the Commissioner of Labor*, 1893, pp. 97-101; *Biennial Report of the Auditor of State*, 1918, Pt. III, pp. 10, 11.

⁵¹⁹ *Ninth Annual Report of the Commissioner of Labor*, 1893, pp. 338, 339.

⁵²⁰ Table compiled from the biennial reports of the Auditor of State, 1897-1918; *Report of the Comptroller of the Currency*, 1919, Vol. I, p. 206.

⁵²¹ *Ninth Annual Report of the Commissioner of Labor*, 1893, pp. 14, 15.

⁵²² *Bulletin of the Bureau of Labor* (United States), 1904, Vol. IX, pp. 1499, 1500.

⁵²³ *Code of 1897*, sec. 1890.

⁵²⁴ *Biennial Report of the Auditor of State*, 1918, Pt. III, p. 3.

⁵²⁵ *Biennial Report of the Auditor of State*, 1897, pp. 252-254.

⁵²⁶ Adair's *The Growth of the Building and Loan Associations of Nebraska in the Proceedings of the Iowa Building and Loan League*, 1917, pp. 75-81.

⁵²⁷ Gilmore's *Building and Loan Associations of the United States, Their Usefulness and Mission in the Proceedings of the Iowa Building and Loan League*, 1916, pp. 22-29; manuscript letter of John L. Bleakly, dated January 14, 1919.

- ⁵²⁸ *Laws of Iowa*, 1896, ch. 85.
- ⁵²⁹ *Laws of Iowa*, 1900, ch. 69.
- ⁵³⁰ *Code of 1897*, secs. 1891, 1892, 1898; *Laws of Iowa*, 1921, ch. 258.
- ⁵³¹ *Biennial Report of the Auditor of State*, 1918, Pt. III, pp. 12, 13; *Ninth Annual Report of the Commissioner of Labor*, 1893, pp. 297-299.
- ⁵³² *Bulletin of the Bureau of Labor* (United States), 1904, Vol. IX, pp. 1504-1511; Haymaker's *Some Features of Building Association Evolution in the Proceedings of the Iowa Building and Loan League*, 1917, pp. 28-47.
- ⁵³³ McKay's *The Building and Loan Movement in the United States* in Moulton's *Principles of Money and Banking*, p. 358; *Biennial Report of the Auditor of State*, 1918, Pt. III, pp. 7, 13.
- ⁵³⁴ *Ninth Annual Report of the Commissioner of Labor*, 1893, pp. 97-101.
- ⁵³⁵ Interview with F. D. Denlinger, Secretary of the Perpetual Savings and Loan Association of Cedar Rapids.
- ⁵³⁶ McKay's *The Building and Loan Movement in the United States* in Moulton's *Principles of Money and Banking*, p. 358.
- ⁵³⁷ *Code of 1897*, sec. 1902; *Supplement to the Code of Iowa*, 1913, sec. 1898-c.
- ⁵³⁸ *Articles of Incorporation of the Perpetual Savings and Loan Association of Cedar Rapids, Iowa*, Art. VII; *Articles of Incorporation of the Waterloo Building and Loan Association of Waterloo, Iowa*, Art. V.
- ⁵³⁹ *Laws of Iowa*, 1921, ch. 269.
- ⁵⁴⁰ *Biennial Report of the Auditor of State*, 1918, Pt. III, pp. 8, 9.
- ⁵⁴¹ Facts concerning Des Moines, Cedar Rapids, and Waterloo associations obtained through interviews and personal letters.
- ⁵⁴² *Ninth Annual Report of the Commissioner of Labor*, 1893, p. 307.
- ⁵⁴³ *Supplement to the Code of Iowa*, 1913, sec. 1903-a.
- ⁵⁴⁴ Constitutions of the Perpetual Savings and Loan Association of Cedar Rapids, the Waterloo Building and Loan Association, the Home Building and Loan Association, and the Perpetual Building and Loan Association of Waterloo.
- ⁵⁴⁵ *Bulletin of the Bureau of Labor* (United States), 1904, Vol. IX, pp. 1528-1534.
- ⁵⁴⁶ *Articles of Incorporation of the Perpetual Savings and Loan Association of Cedar Rapids, Iowa*, Art. IX.
- ⁵⁴⁷ *Articles of Incorporation of the Waterloo Building and Loan Association of Waterloo, Iowa*, Art. VII; *Articles of Incorporation of the Perpetual Building and Loan Association of Waterloo*, Art. XIX; *Articles of Incorporation of the Home Building and Loan Association of Waterloo*, Art. VII.

- ⁵⁴⁸ *Supplement to the Code of Iowa*, 1913, sec. 1903-b.
- ⁵⁴⁹ *Code of 1897*, sec. 1898.
- ⁵⁵⁰ *Bulletin of the Bureau of Labor* (United States), 1904, pp. 1507, 1508.
- ⁵⁵¹ *Code of 1897*, sec. 1898.
- ⁵⁵² *Proceedings of the Iowa Building and Loan League*, 1917, pp. 39, 40, 48, 49; *By-laws of the Perpetual Savings and Loan Association of Cedar Rapids*, Art. VI.
- ⁵⁵³ *Ninth Annual Report of the Commissioner of Labor*, 1893, p. 318.
- ⁵⁵⁴ *Laws of Iowa*, 1896, ch. 85, secs. 9, 10.
- ⁵⁵⁵ Constitutions and by-laws of Cedar Rapids and Waterloo associations.
- ⁵⁵⁶ *Biennial Report of the Auditor of State*, 1918, Pt. III, p. 10.
- ⁵⁵⁷ *Supplement to the Code of Iowa*, 1913, sec. 1893-a.
- ⁵⁵⁸ *Proceedings of the Twenty-sixth Annual Convention of the United States League of Local Building and Loan Associations*, 1918, pp. 75-84.
- ⁵⁵⁹ *Supplement to the Code of Iowa*, 1913, sec. 1903-a.
- ⁵⁶⁰ *Biennial Report of the Auditor of State*, 1916, Pt. IV, p. 7, 1918, Pt. III, p. 7.
- ⁵⁶¹ *Supplement to the Code of Iowa*, 1913, sec. 1898-d.
- ⁵⁶² Interview with F. D. Denlinger, Secretary of the Perpetual Savings and Loan Association of Cedar Rapids.
- ⁵⁶³ Rosenthal's *Building, Loan and Savings Associations*, p. 223.
- ⁵⁶⁴ Constitutions and by-laws of Cedar Rapids and Waterloo associations; manuscript letter from John L. Bleakly, dated January 14, 1919.
- ⁵⁶⁵ *Proceedings of the Twenty-seventh Annual Convention of the Nebraska League of Savings and Loan Associations*, 1918, pp. 7, 8; manuscript letter from W. R. Adair, Omaha, dated January 14, 1919; *Proceedings of the Iowa Building and Loan League*, 1916, p. 26.
- ⁵⁶⁶ *Proceedings of the Iowa Building and Loan League*, 1917, pp. 37, 38; *Ohio General Statistics*, 1916, Vol. II, p. 187.
- ⁵⁶⁷ *Proceedings of the Twenty-third Annual Convention of the United States League of Local Building and Loan Associations*, 1915, pp. 135-141.
- ⁵⁶⁸ Haymaker's *Some Features of Building Association Evolution in the Proceedings of the Iowa Building and Loan League*, 1917, pp. 37, 38.
- ⁵⁶⁹ *Proceedings of the Twenty-sixth Annual Convention of the United States League of Local Building and Loan Associations*, 1918, p. 149; *Proceedings of the Iowa Building and Loan League*, 1917, pp. 43, 44, 50, 51.
- ⁵⁷⁰ *Code of 1897*, secs. 1892, 1900, 1901.

- ⁵⁷¹ Rosenthal's *Building, Loan and Savings Associations*, p. 120; *Bulletin of the Bureau of Labor* (United States), 1904, Vol. IX, pp. 1535-1537; by-laws of various associations.
- ⁵⁷² *Laws of Iowa* (Public), 1872, chs. 30, 101.
- ⁵⁷³ *Laws of Iowa*, 1896, ch. 85, secs. 5, 15, 16.
- ⁵⁷⁴ *Laws of Iowa*, 1896, ch. 85, secs. 17-26.
- ⁵⁷⁵ *Biennial Report of the Auditor of State*, 1897, p. 19.
- ⁵⁷⁶ *Laws of Iowa*, 1900, ch. 69, sec. 13.
- ⁵⁷⁷ *Laws of Iowa*, 1896, ch. 85, secs. 6, 7.
- ⁵⁷⁸ *Laws of Iowa*, 1896, ch. 85, secs. 29-31.
- ⁵⁷⁹ *Laws of Iowa*, 1902, ch. 77.
- ⁵⁸⁰ *Biennial Report of the Auditor of State*, 1901, p. xii.
- ⁵⁸¹ *Biennial Report of the Auditor of State*, 1903, p. xiv; *State v. Syndicate Land Company*, 142 Iowa 22; *Laws of Iowa*, 1904, ch. 66.
- ⁵⁸² *Bulletin of the Bureau of Labor* (United States), 1904, Vol. IX, pp. 1571, 1572.
- ⁵⁸³ *Laws of Iowa*, 1896, ch. 85, sec. 8.
- ⁵⁸⁴ *Proceedings of the Twenty-third Annual Convention of the United States League of Local Building and Loan Associations*, 1915, p. 126; opinions of Waterloo and Cedar Rapids bankers obtained by interviews.
- ⁵⁸⁵ Rosenthal's *Building, Loan and Savings Associations*, p. 25.
- ⁵⁸⁶ Rosenthal's *Building, Loan and Savings Associations*, pp. 25, 26.
- ⁵⁸⁷ *American Building Association News*, October, 1918, Vol. XXXVIII, No. 10, p. 465.
- ⁵⁸⁸ *Proceedings of the Iowa Building and Loan League*, 1917, pp. 45-47, 58.
- ⁵⁸⁹ *Cleveland Plain Dealer*, March 26, 1919; *The Annalist*, April 21, 1919, Vol. XIII, No. 327, p. 405; *Proceedings of the Twenty-seventh Annual Convention of the United States League of Local Building and Loan Associations*, 1919, pp. 64-92, 152-157.
- ⁵⁹⁰ *Laws of Iowa*, 1876, ch. 163, 1896, ch. 85, sec. 33.
- ⁵⁹¹ *Supplement to the Code of Iowa*, 1913, sec. 1326; *Laws of Iowa*, 1911, chs. 63, 73.
- ⁵⁹² Rosenthal's *Building, Loan and Savings Associations*, pp. 39, 40; *Proceedings of the Twenty-sixth Annual Convention of the United States League of Local Building and Loan Associations*, pp. 29-33.
- ⁵⁹³ *Biennial Report of the Auditor of State*, 1903, p. xiv.

CHAPTER XII

⁵⁹⁴ *Proceedings of the Fourth Annual Convention of the Farm Mortgage Bankers Association of America*, 1917, p. 12.

⁵⁹⁵ *Thirteenth Census of the United States*, 1910, Vol. VI, p. 507; *Census of Iowa*, 1915, p. 643. Fourteenth Census of the United States, 1920, Bulletin on Agriculture in Iowa, p. 3.

⁵⁹⁶ *Farm Land Values in Iowa* (Bulletin No. 874 issued by the United States Department of Agriculture).

⁵⁹⁷ *Farm Land Values in Iowa* (Bulletin No. 874 issued by the United States Department of Agriculture); *Iowa City Daily Citizen*, August 21, 1919; *Proceedings of the Seventh Annual Convention of the Iowa Farm Mortgage Association*, 1920, pp. 25-34.

⁵⁹⁸ *Wealth, Debt and Taxation, Special Report of the Bureau of the Census*, 1913, Vol. I, Pt. I, pp. 23, 26.

⁵⁹⁹ Fourteenth Census of the United States, 1920, Bulletin on Agriculture in Iowa, p. 3.

⁶⁰⁰ *Thirteenth Census of the United States*, 1910, Vol. VI, pp. 508, 509; Fourteenth Census of the United States, 1920, Bulletin on Agriculture in Iowa, p. 5.

⁶⁰¹ *Thirteenth Census of the United States*, 1910, Vol. VI, pp. 507, 508.

⁶⁰² Wight's *Report on Life Insurance Farm Loan Investments in War Time*, August 26, 1918, p. 11.

⁶⁰³ Interview with F. C. Waples, Secretary of the Iowa Farm Mortgage Association, Cedar Rapids, July 27, 1919; manuscript letter from D. P. Hogan, President of the Federal Land Bank of Omaha, dated September 4, 1919; *Mortgage Bankers vs. The Farmers*, by M. L. Corey, Attorney-Registrar Federal Land Bank of Omaha, in *The Northwestern Banker*, June, 1919, p. 7; *Proceedings of the Seventh Annual Convention of the Iowa Farm Mortgage Association*, 1920, p. 28.

⁶⁰⁴ Maynard's *Rural Credits in the United States*, p. 77, a thesis in possession of the Library of the State University of Iowa.

⁶⁰⁵ *Thirteenth Census of the United States*, 1910, Vol. VI, p. 507.

⁶⁰⁶ *Index-Digest of the Federal Reserve Act and Amendments* (Second Edition), pp. 44, 45.

⁶⁰⁷ *Laws of Iowa*, 1874, ch. 60, sec. 9, 1913, ch. 149, 1917, ch. 364.

⁶⁰⁸ *Laws of Iowa*, 1902, ch. 76.

⁶⁰⁹ Manuscript letter from D. H. Hedrick, dated July 7, 1919; interview with F. C. Waples, Cedar Rapids, July 27, 1919.

⁶¹⁰ *Proceedings of the Fifth Annual Convention of the Iowa Farm Mortgage*

Association, 1918, pp. 40-49; manuscript letter from D. H. McKee, dated August 15, 1919.

⁶¹¹ Manuscript letter from John W. Leavitt, Secretary and Treasurer, Cedar Falls Trust Company, dated July 31, 1920.

⁶¹² Preamble to the constitution of the Iowa Farm Mortgage Association, manuscript in the possession of the Secretary, F. C. Waples, Cedar Rapids.

⁶¹³ *Proceedings of the Fourth Annual Convention of the Farm Mortgage Bankers Association of America*, 1917, pp. 11, 12, 259; *Proceedings of the Second Annual Convention of the Iowa Farm Mortgage Association*, 1915, pp. 58-70.

⁶¹⁴ Prospectus of the Guarantee Mortgage and Finance Company, Des Moines.

⁶¹⁵ Interview with F. C. Waples, Cedar Rapids, July 27, 1919.

⁶¹⁶ Wight's *Report on Life Insurance Farm Loan Investments in War Time*, August 26, 1918, p. 11.

⁶¹⁷ Interview with F. C. Waples, Cedar Rapids, July 27, 1919.

⁶¹⁸ *Proceedings of the Sixth Annual Convention of the Iowa Farm Mortgage Association*, 1919, manuscript in the possession of the Secretary, F. C. Waples, Cedar Rapids.

⁶¹⁹ *Proceedings of the Second Annual Convention of the Iowa Farm Mortgage Association*, 1915, p. 65; interview with F. C. Waples, Cedar Rapids, July 27, 1919.

⁶²⁰ *Census of Iowa*, 1915, p. cv.

⁶²¹ Wight's *Report on Life Insurance Farm Loan Investments in War Time*, August 26, 1918, p. 11. "The interest rates given are the averages of rates reported by companies on about 75 per cent of loans outstanding in 1914, and 1916, and on over 50 per cent of new loans made in 1917."

⁶²² *Proceedings of the Sixth Annual Convention of the Iowa Farm Mortgage Association*, 1919, manuscript in the possession of the Secretary, F. C. Waples, Cedar Rapids.

⁶²³ *Proceedings of the Sixth Annual Convention of the Iowa Farm Mortgage Association*, 1919, manuscript in the possession of the Secretary, F. C. Waples, Cedar, Rapids.

⁶²⁴ *Proceedings of the Annual Conventions of the Iowa Farm Mortgage Association*, 1915, p. 65, 1919, manuscript in the possession of the Secretary, F. C. Waples, Cedar Rapids.

⁶²⁵ *The Northwestern Banker*, March, 1915, p. 7, April, 1915, pp. 20, 21, May, 1915, p. 20; *Journal of the House of Representatives*, 1915, p. 1004; *Journal of the Senate*, 1915, pp. 1344, 1345; interview with F. C. Waples, Cedar Rapids, July 27, 1919.

⁶²⁶ The Federal Farm Loan Act, secs. 3, 4; *The Northwestern Banker*, October, 1917, p. 8.

⁶²⁷ The Federal Farm Loan Act, secs. 7, 15, 16.

⁶²⁸ *Report of the Secretary of the Treasury*, 1918, pp. 102-104.

⁶²⁹ Condensed statement of condition of the Federal Land Bank of Omaha at the close of business, June 30, 1919.

⁶³⁰ The Federal Farm Loan Act, sec. 5.

⁶³¹ *Statistical Abstract of the United States*, 1918, p. 631; *Annual Report of the Secretary of the Treasury*, 1918, p. 104; condensed statement of condition of the Federal Land Bank of Omaha at the close of business, June 30, 1919.

⁶³² This amendment appears to have been supported by the Federal Farm Loan Board and the Joint Stock Land Banks. No good reason has been brought forward for making this subsidy permanent. Like the Federal reserve system the Federal farm loan system should be made self-supporting.—*Third Annual Report of the Federal Farm Loan Board*, 1919, p. 18; *Exemption of Joint Stock Land Bank Bonds from Taxation* (Hearings before the Committee on Banking and Currency United States Senate, January 10, 12, and 13, 1920), p. 19; manuscript letter from James B. Morman, Assistant Secretary, Farm Loan Board, dated July 19, 1920.

⁶³³ The Federal Farm Loan Act, secs. 7-10.

⁶³⁴ The Federal Farm Loan Act, sec. 12; manuscript letter from T. C. Hornby, Chief Appraiser, Federal Land Bank of Omaha, January 10, 1919; *The Northwestern Banker*, June, 1919, p. 6.

⁶³⁵ Circular of the Iowa Joint Stock Land Bank of Sioux City; manuscript letter of D. P. Hogan, President of the Federal Land Bank of Omaha, dated September 4, 1919; Federal Farm Loan Act, sec. 12.

⁶³⁶ *Annual Report of the Secretary of the Treasury*, 1918, pp. 102-104; Federal Farm Loan Act, secs. 12, 13; manuscript letter from H. J. Crouse, Examiner of the Iowa Joint Stock Land Bank of Sioux City, dated January 20, 1919.

⁶³⁷ Federal Farm Loan Act, secs. 18, 19, 20, 26.

⁶³⁸ *Annual Report of the Secretary of the Treasury*, 1918, pp. 104, 345.

⁶³⁹ *The Northwestern Banker*, October, 1917, pp. 21, 72.

⁶⁴⁰ *The Northwestern Banker*, October, 1917, pp. 8, 72; manuscript letter from D. P. Hogan, President of the Federal Land Bank of Omaha, dated September 4, 1919.

⁶⁴¹ Putnam's *The Federal Farm Loan System* in *The American Economic Review*, March, 1919, Vol. IX, No. 1, p. 64.

⁶⁴² *Third Annual Report of the Federal Farm Loan Board*, 1919, p. 20.

- ⁶⁴³ Federal Farm Loan Act, sec. 16.
- ⁶⁴⁴ Federal Farm Loan Act, secs. 16, 18, 28.
- ⁶⁴⁵ *Third Annual Report of the Federal Farm Loan Board*, 1919, p. 29.
- ⁶⁴⁶ *Proceedings of the Fifth Annual Convention of the Iowa Farm Mortgage Association*, 1918, p. 25.
- ⁶⁴⁷ Manuscript letter from T. C. Hornby, Chief Appraiser, Federal Land Bank of Omaha, dated January 10, 1919.
- ⁶⁴⁸ Manuscript letter from D. P. Hogan, President of the Federal Land Bank of Omaha, dated September 4, 1919.
- ⁶⁴⁹ Statement of the Federal Farm Loan Board showing condition of banks to May 31, 1920.
- ⁶⁵⁰ *Proceedings of the Fifth Annual Convention of the Iowa Farm Mortgage Association*, 1918, pp. 27-30.
- ⁶⁵¹ The Midland Mortgage Company of Cedar Rapids made sales of \$1,500,000 in 1918 and was capitalized for \$60,000. The capital was increased to \$100,000 and in two years this company handled five and a half million dollars worth of loans.—Manuscript letter from F. C. Waples, Cedar Rapids, dated June 10, 1920.
- ⁶⁵² Manuscript letter from D. H. McKee, Des Moines, dated August 15, 1919.
- ⁶⁵³ *The Northwestern Banker*, January, 1914, pp. 7-9, 16, 17, 33.
- ⁶⁵⁴ *Proceedings of the Fourth Annual Convention of the Farm Mortgage Bankers Association of America*, 1917, p. 63.
- ⁶⁵⁵ *Proceedings of the Fifth Annual Convention of the Iowa Farm Mortgage Association*, 1918, pp. 45-51.
- ⁶⁵⁶ *Proceedings of the Fifth Annual Convention of the Iowa Farm Mortgage Association*, 1918, pp. 53-57.
- ⁶⁵⁷ *Proceedings of the Sixth Annual Convention of the Iowa Farm Mortgage Association*, 1919, manuscript in the possession of the Secretary, F. C. Waples, Cedar Rapids; *Proceedings of the Seventh Annual Convention of the Iowa Farm Mortgage Association*, 1920, pp. 53-57.
- ⁶⁵⁸ *The Northwestern Banker*, June, 1919, pp. 4, 6, 7.
- ⁶⁵⁹ *Third Annual Report of the Federal Farm Loan Board*, 1919, p. 19; *The Commercial and Financial Chronicle*, Vol. 109, p. 1937 (November 22, 1919), Vol. 110, p. 612 (February 14, 1920), p. 1931 (May 8, 1920); *Proceedings of the Fourth Annual Convention of the Farm Mortgage Bankers Association of America*, 1917, pp. 7, 88-105, 147-158; *Proceedings of the Seventh Annual Meeting of the Iowa Farm Mortgage Association*, 1920, p. 55; *Federal Trade Information Service*, Vol. XV, No. 29, p. 225 (May 4, 1920), No. 34, pp. 266, 267 (May 10, 1920); for a full discussion of the history and issues in this

case see Preston's *The Federal Farm Loan Case in The Journal of Political Economy*, Vol. XXIX (June, 1921), pp. 433-454.

⁶⁶⁰ *Cleveland Plain Dealer*, May 19, 1920; *Congressional Record* (Joint Resolution 351, May 18, 1920), 66th Congress, 2nd Session, p. 7815; interview with J. M. Hungate, Secretary of the First Joint Stock Land Bank of Chicago, June, 1920; *Third Annual Report of the Federal Farm Loan Board*, pp. 28, 29; *Consolidated Statement of Condition of the Joint Stock Land Banks at the Close of Business May 31, 1920*; *Consolidated Statement of Condition of the Twelve Federal Land Banks at the Close of Business May 31, 1920*; *Report of the Federal Farm Loan Board*, 1920, pp. 3, 4.

⁶⁶¹ *Taxation and Revenue Systems of State and Local Governments* (Bureau of the Census, 1914), p. 79.

⁶⁶² Statement of the Federal Farm Loan Board showing condition of banks to May 31, 1920.

⁶⁶³ Wight's *Report on Life Insurance Farm Loan Investments in War Time*, August 26, 1918, p. 11. The interest rates are the average of rates reported by companies on over 50 per cent of the loans made.

⁶⁶⁴ *United States Investor*, Vol. XXIX, No. 39, p. 1398 (September 28, 1918).

CHAPTER XIII

⁶⁶⁵ Wassam's *Salary Loan Business in New York City*, pp. 28-42.

⁶⁶⁶ Manuscript letter from J. B. Gilder, Secretary of the Industrial Finance Corporation, dated February 8, 1919.

⁶⁶⁷ Manuscript letter from J. B. Gilder, Secretary of the Industrial Finance Corporation, dated February 26, 1919.

⁶⁶⁸ *The Morris Plan of Industrial Loans and Investments* (published by the Industrial Finance Corporation, New York), pp. 8, 12, 32, 40.

⁶⁶⁹ *National Magazine*, Vol. XLV, No. 3, pp. 334-342, December, 1916.

⁶⁷⁰ Manuscript letters from J. B. Gilder, Secretary of the Industrial Finance Corporation, dated February 8, 26, 1919.

⁶⁷¹ Interview with Harry E. Pratt, Cedar Rapids, August, 1918.

⁶⁷² *How to Borrow Money from the Waterloo Morris Plan Company; Annual Report of the Morris Plan Company of Cedar Rapids*, 1918.

⁶⁷³ Statements of condition published by the Waterloo company, January 1, 1918, covering the period from April, 1916, to January 1, 1918, and by the Cedar Rapids Company, for the period from November, 1916, down to January, 1919.

⁶⁷⁴ *Annual Report of the Morris Plan Company of Cedar Rapids*, 1918.

⁶⁷⁵ *The Morris Plan of Industrial Loans and Investments* (published by the Industrial Finance Corporation, New York), pp. 46-48; *Annual Report of the Morris Plan Company of Cedar Rapids*, 1918.

⁶⁷⁶ Manuscript letter from J. E. Kirbye, President of the Morris Plan Company of Des Moines, dated March 5, 1919; *Annual Report of the Morris Plan Company of Cedar Rapids*, 1918.

⁶⁷⁷ *Laws of Iowa*, 1919, ch. 151; manuscript letter from Frank S. Shaw, Auditor of State, dated August 5, 1919.

⁶⁷⁸ Manuscript letter from L. B. Milligan, Secretary-Manager of the Davenport Morris Plan Company, dated February 22, 1919.

⁶⁷⁹ *Laws of Iowa*, 1921, chs. 119, 131, 157, 161.

⁶⁸⁰ Prospectus of the Iowa Farm Credit Corporation.

⁶⁸¹ Letters from Vincent Starzinger, Des Moines, dated August 12 and 16, 1919; interview with Harry E. Pratt, Secretary-Manager of the Cedar Rapids Morris Plan Company; circulars of the Iowa Guarantee Mortgage Corporation of Des Moines.

⁶⁸² *Statistical Abstract of the United States*, 1918, p. 156.

⁶⁸³ *Yearbook of the United States Department of Agriculture*, 1916, pp. 672, 692.

⁶⁸⁴ Larmer's *The Cattle Loan Company* in *The Journal of Political Economy*, Vol. XXVI, p. 822 (October, 1918).

⁶⁸⁵ When cattle are condemned because of contagious disease the loss is largely borne by the government.

⁶⁸⁶ Larmer's *The Cattle Loan Company* in *The Journal of Political Economy*, Vol. XXVI, p. 823 (October, 1918).

⁶⁸⁷ Letter from A. G. Sam, Vice President of the Live Stock National Bank of Sioux City, dated August 20, 1919.

⁶⁸⁸ Companies listed in Iowa were:

Sioux City Cattle Loan Company.....	Sioux City
Sioux City Bond and Mortgage Company.....	Sioux City
United Cattle Loan and Live Stock Company.....	Des Moines
Federal Cattle Loan Society.....	Des Moines
Union Cattle Loan and Mortgage Company.....	Des Moines

Manuscript letter from L. E. Stevens, Vice President of the United Cattle Loan and Live Stock Company, dated August 6, 1919.

⁶⁸⁹ Manuscript letter from A. G. Sam, Vice President of the Live Stock National Bank of Sioux City, dated August 20, 1919; manuscript letter from D. H. Hedrick, President of the Battle Creek Savings Bank, dated August 18, 1919.

⁶⁹⁰ *Proceedings of the Twelfth Annual Convention of the Iowa Bankers Association*, 1898, pp. 43-45.

⁶⁹¹ *Census of Iowa*, 1915, p. 191.

⁶⁹² Manuscript of address delivered by D. H. Hedrick at the annual meeting of Group One, Iowa Bankers Association, May, 1918; manuscript letter from D. H. Hedrick, President of the Battle Creek Savings Bank, dated August 18, 1919.

⁶⁹³ *Biennial Report of the Superintendent of Banking*, 1918, p. 42.

⁶⁹⁴ Manuscript letter from D. H. Hedrick, President of the Battle Creek Savings Bank, dated August 18, 1919.

⁶⁹⁵ Manuscript letter from A. G. Sam, Vice President of the Live Stock National Bank, Sioux City, dated August 20, 1919.

⁶⁹⁶ Manuscript letter from I. E. Dierdorff, Vice President of Geo. M. Bechtel and Co., Bankers, Davenport, dated August 27, 1919.

⁶⁹⁷ *Wealth, Debt and Taxation, Special Report of the Bureau of the Census*, 1913, Vol. I, Pt. II, p. 17, Pt. III, pp. 37, 38, 93.

⁶⁹⁸ Manuscript letter from I. E. Dierdorff, Vice President of Geo. M. Bechtel and Co., Bankers, Davenport, dated July 25, 1919.

⁶⁹⁹ Manuscript letter from A. M. Schanke, President of Schanke and Company, Investment Bankers, Mason City, dated August 8, 1919.

⁷⁰⁰ Partial list of Investment Bankers in Iowa in 1919 gathered from correspondence and advertisements.

1. Bankers Mortgage Company.....Des Moines
2. Bechtel and Company.....Davenport
3. White-Phillips Company.....Davenport
4. Schanke and Company.....Mason City
5. H. C. Adams and Co. Investment Bankers.....Algona
6. Iowa Investment Corporation.....Waterloo
7. Guarantee Mortgage and Finance Co.....Des Moines
8. Canfield Bros. Investment Bankers.....Cedar Rapids
9. C. J. Weiser Investment Banker.....Decorah

⁷⁰¹ *Laws of Iowa*, 1919, ch. 236.

⁷⁰² Manuscript letter from Frank Warner, Secretary of the Iowa Bankers Association, dated July 25, 1919.

⁷⁰³ Information regarding the nature of their business was obtained through letters from the following companies:

- Geo. M. Bechtel and Company.....Davenport
- Schanke and Company.....Mason City
- Guarantee Mortgage and Finance Company.....Des Moines
- Bankers Mortgage Company.....Des Moines

⁷⁰⁴ Manuscript letter from I. E. Dierdorff, Vice President of Geo. M. Bechtel and Company, Davenport, dated August 27, 1919.

⁷⁰⁵ Manuscript letter from Frank Warner, Secretary of the Iowa Bankers Association, dated July 25, 1919.

⁷⁰⁶ Manuscript letter from I. E. Dierdorff, Vice President of Geo. M. Bechtel and Company, Davenport, dated August 27, 1919; manuscript letter from A. M. Schanke, President of Schanke and Company, Mason City, dated August 8, 1919; manuscript letter from Geo. A. Chaney, Vice President of the Bankers Mortgage Company, Des Moines, dated August 6, 1919; manuscript letter from R. B. Parrott, President of the Guarantee Mortgage and Finance Company, Des Moines, dated August 6, 1919.

⁷⁰⁷ *Laws of Iowa*, 1919, ch. 237.

⁷⁰⁸ *Iowa State Highway Commission Service Bulletin*, Vol. VII, Nos. 5-6, p. 3, May-June, 1919.

⁷⁰⁹ Kemmerer's *Postal Savings*, pp. 1-3.

⁷¹⁰ *Annual Report of the Post Office Department*, 1917, p. 58; Kemmerer's *Postal Savings*, pp. 135, 136, 147.

⁷¹¹ *Annual Report of the Post Office Department*, 1917, p. 58.

⁷¹² *Annual Report of the Secretary of the Treasury (Finance)*, 1918, p. 552.

⁷¹³ *Annual Report of the Post Office Department*, 1916, p. 28, 1917, p. 58.

⁷¹⁴ *Statistical Abstract of the United States*, 1918, p. 643; *Report of the Comptroller of the Currency*, 1919, Vol. I, p. 196.

⁷¹⁵ Kemmerer's *Postal Savings*, pp. 68, 69.

Deposits in Iowa postal banks reached a total of \$620,362 in 1918 but dropped again in 1919 to \$523,601.—*Report of the Comptroller of the Currency*, 1919, Vol. I, p. 196.

⁷¹⁶ Kemmerer's *Postal Savings*, pp. 72, 73; *Annual Report of the Post Office Department*, 1917, p. 58.

⁷¹⁷ Kemmerer's *Postal Savings*, pp. 57, 58.

CHAPTER XIV

⁷¹⁸ Dunbar's *Theory and History of Banking*, pp. 9-15; Holdsworth's *Money and Banking*, p. 148.

⁷¹⁹ Abstract of reports of the condition of Iowa savings banks, State banks, and trust companies, December 31, 1919.

⁷²⁰ *Report of the Comptroller of the Currency*, 1919, Vol. II, pp. 253, 318.

⁷²¹ *The Battle Creek Times*, July 15, 1920.

⁷²² Beginning with 1904 the question of deposit insurance in some form was a prominent issue before the conventions of the Iowa Bankers Association for some time. At first there was strong support for the measure with almost equal division apparently on the issue. In 1908 the question became a party issue in the national political campaign. The Republican victory of that year seemed to quiet for a time any discussion of the problem.

In Iowa the matter came before the State legislature in the session of 1915 and again in 1921. The legislative committee of the Iowa Bankers Association both times opposed the measure and claims credit for having helped to defeat it. During 1918-1919 there was pending in Congress a bill providing for the government guarantee of deposits in national banks to the amount of \$5000. This measure was opposed by a resolution of the Iowa Bankers Association which further stated: "That we are opposed to the principle of Government Guarantee of Deposit in any form or amount." The opinion, therefore, of the bankers, which a decade earlier was not clearly either for or against the measure, has become conclusively lined up in opposition. The persistence of this question leads to the belief that it still remains an unsettled issue. Iowa is in a favorable position, however, to watch the experiment in neighboring States before making a final decision.—*Proceedings of the Eighteenth Annual Convention of the Iowa Bankers Association*, 1904, p. 54; *Proceedings of the Nineteenth Annual Convention of the Iowa Bankers Association*, 1905, pp. 58-70; *Proceedings of the Twentieth Annual Convention of the Iowa Bankers Association*, 1906, pp. 17, 61; *Proceedings of the Twenty-first Annual Convention of the Iowa Bankers Association*, 1907, pp. 15, 16; *Proceedings of the Twenty-second Annual Convention of the Iowa Bankers Association*, 1908, pp. 56-76, 109; *Proceedings of the Twenty-ninth Annual Convention of the Iowa Bankers Association*, 1915, p. 28; *Proceedings of the Thirty-second Annual Convention of the Iowa Bankers Association*, 1918, p. 164; Holdsworth's *Money and Banking*, pp. 198-200; *Iowa Bankers Association*, Bulletin No. 967, p. 16.

⁷²³ *Reports of the Comptroller of the Currency*, 1909, p. 47, 1915, Vol. II, p. 977.

⁷²⁴ *Laws of Iowa*, 1921, ch. 114.

Prior to 1921 the rate was two per cent.—*Compiled Code*, 1919, sec. 4767.

⁷²⁵ Letter from Mrs. Sarah G. French, Legal Clerk of the Department of Banking, dated July 22, 1920.

⁷²⁶ In October, 1919, Iowa national banks had outstanding \$19,313,000 of circulating notes.—*Report of the Comptroller of the Currency*, 1919, Vol. II, p. 318.

⁷²⁷ Kinley's *The Use of Credit Instruments in Payments in the United States* in *Senate Documents*, 61st Congress, 2nd Session, Vol. IX, p. 198.

⁷²⁸ White's *Money and Banking* (Fifth Edition), p. 193.

⁷²⁹ *Proceedings of the Thirty-second Annual Convention of the Iowa Bankers Association*, 1918, pp. 163, 194-196.

⁷³⁰ *Code of 1897*, sec. 3038.

⁷³¹ On June 30, 1920, the Battle Creek Savings Bank, a member bank of the Federal reserve system, reported rediscounts of \$202,553 on loans of a little over a million dollars.

⁷³² *Monthly Bulletin of the National City Bank of New York*, May, 1920, p. 13.

⁷³³ Pamphlet of the Cedar Rapids Savings Bank.

⁷³⁴ Interview with P. A. Korab, Vice President of the Iowa City State Bank, August 12, 1920.

⁷³⁵ James W. Gilbart in his book *The History, Principles and Practice of Banking*, published in 1837, lists this as one of the services of banks.—*Marshall's Readings in Industrial Society*, p. 349.

⁷³⁶ Whiteside's *The Economic Functions of a Country Bank*, p. 21. This was privately published by the First National Bank of Greencastle, Indiana.

⁷³⁷ *Reports to the Thirty-fifth Annual Convention of the Iowa Bankers Association*, 1921, p. 37.

⁷³⁸ *Proceedings of the Thirty-fourth Annual Convention of the Iowa Bankers Association*, 1920, p. 191.

⁷³⁹ *Proceedings of the Twenty-ninth Annual Convention of the Iowa Bankers Association*, 1915, pp. 24, 27; *Proceedings of the Thirtieth Annual Convention of the Iowa Bankers Association*, 1916, pp. 39-41, 75-84; *Proceedings of the Thirty-first Annual Convention of the Iowa Bankers Association*, 1917, pp. 159-167; *Proceedings of the Thirty-second Annual Convention of the Iowa Bankers Association*, 1918, pp. 186-193.

⁷⁴⁰ *Farm Land Values in Iowa* (Bulletin No. 874 issued by the United States Department of Agriculture).

⁷⁴¹ *Proceedings of the Thirty-second Annual Convention of the Iowa Bankers Association*, 1918, pp. 188, 189.

⁷⁴² *Proceedings of the Twenty-ninth Annual Convention of the Iowa Bankers Association*, 1915, pp. 122, 123; *Proceedings of the Thirtieth Annual Convention of the Iowa Bankers Association*, 1916, p. 42; *Proceedings of the Thirty-second Annual Convention of the Iowa Bankers Association*, 1918, pp. 193, 194; *Proceedings of the Thirty-third Annual Convention of the Iowa Bankers Association*, 1919, pp. 204-208.

⁷⁴³ Whitney's *The Sale of War Bonds in Iowa*, ch. III (manuscript).

⁷⁴⁴ *Proceedings of the Thirty-first Annual Convention of the Iowa Bankers Association*, 1917, p. 164.

⁷⁴⁵ Whitney's *The Sale of War Bonds in Iowa*, ch. IV (manuscript).

⁷⁴⁶ Whitney's *The Sale of War Bonds in Iowa*, ch. IV (manuscript).

⁷⁴⁷ *Proceedings of the Thirtieth Annual Convention of the Iowa Bankers Association*, 1916, p. 95; *Proceedings of the Thirty-first Annual Convention of the Iowa Bankers Association*, 1917, pp. 69, 137, 138; *Proceedings of the Thirty-second Annual Convention of the Iowa Bankers Association*, 1918, pp. 163-165; *Proceedings of the Thirty-third Annual Convention of the Iowa Bankers Association*, 1919, p. 231.

⁷⁴⁸ *The Northwestern Banker*, June, 1920, p. 14.

⁷⁴⁹ *Proceedings of the Second Annual Convention of the Iowa Bankers Association*, 1888, p. 7.

⁷⁵⁰ *Proceedings of the Third Annual Convention of the Iowa Bankers Association*, 1889, pp. 7, 68, 69.

⁷⁵¹ *Proceedings of the Fourth Annual Convention of the Iowa Bankers Association*, 1890, p. 19; *Proceedings of the Sixth Annual Convention of the Iowa Bankers Association*, 1892, p. 17; *Proceedings of the Eleventh Annual Convention of the Iowa Bankers Association*, 1897, pp. 10-13.

⁷⁵² *Abstract of the Thirteenth Census of the United States*, 1910, p. 24; *Fourteenth Census of the United States*, 1920, *Bulletin on Population in Iowa*, p. 1.

⁷⁵³ *Wealth, Debt, and Taxation, Special Report of the Bureau of the Census*, 1913, Vol. I, Pt. I, p. 26.

⁷⁵⁴ *Census of Iowa*, 1915, p. xxvii.

⁷⁵⁵ *Census of Iowa*, 1915, p. 212; *Biennial Report of the Superintendent of Banking*, 1918, p. 239.

⁷⁵⁶ *Census of Iowa*, 1915, p. 578; *The Battle Creek Times*, July 15, 1920.

⁷⁵⁷ Interview with P. A. Korab, Vice President of the Iowa City State Bank, August 12, 1920.

⁷⁵⁸ Interview with C. D. Kirkpatrick, Keota, Iowa, July, 1920.

⁷⁵⁹ *Proceedings of the Thirtieth Annual Convention of the Iowa Bankers Association*, 1916, p. 84.

⁷⁶⁰ Letter from D. H. Hedrick, President of the Battle Creek Savings Bank, dated July 7, 1919.

⁷⁶¹ *Report of the Comptroller of the Currency*, 1900, Vol. I, p. 422, 1901, Vol. I, pp. 447, 451, 1902, Vol. I, pp. 239, 243, 1907, pp. 236, 237, 1911, p. 320, 1912, pp. 274, 275, 1913, pp. 302, 303, 1914, Vol. II, pp. 214, 215, 1915, Vol. II, pp. 278, 279, 1916, Vol. II, pp. 322, 323, 1917, Vol. II, pp. 292, 293, 1918, Vol. II, p. 239, 1919, Vol. II, p. 257.

⁷⁶² *Report of the Comptroller of the Currency*, 1919, Vol. II, p. 257.

⁷⁶³ *Report of the Comptroller of the Currency*, 1914, Vol. II, pp. 752-755, 1915, Vol. II, p. 975.

⁷⁶⁴ National banks had aggregate capital of \$25,115,000 and total assets of \$422,381,000. The corresponding figures for State incorporated banks were \$49,546,000 and \$696,565,000 respectively.

⁷⁶⁵ *Index-Digest of the Federal Reserve Act and Amendments* (Second Edition), pp. 27, 28; *Report of the Comptroller of the Currency*, 1919, Vol. II, p. 253.

⁷⁶⁶ Interview with W. J. McChesney, President of the First National Bank of Iowa City, August 14, 1920.

⁷⁶⁷ *The Battle Creek Times*, July 15, 1920.

⁷⁶⁸ Whitney's *The Overdraft Evil as Illustrated by Conditions in Iowa Banks* in *The American Economic Review*, Vol. VIII, pp. 48-61.

CHAPTER XV

⁷⁶⁹ *Proceedings of the First Annual Convention of the Iowa Bankers Association*, 1887, p. 5.

⁷⁷⁰ *Proceedings of the First Annual Convention of the Iowa Bankers Association*, 1887, pp. 8-15.

⁷⁷¹ *Proceedings of the Thirty-second Annual Convention of the Iowa Bankers Association*, 1918, p. 166.

⁷⁷² *The Fort Dodge Messenger*, June 25, 1919; *Proceedings of the Thirty-third Annual Convention of the Iowa Bankers Association*, 1919, pp. 156, 157.

⁷⁷³ *Proceedings of the Second Annual Convention of the Iowa Bankers Association*, 1888, p. 10.

⁷⁷⁴ *Proceedings of the Twenty-fifth Annual Convention of the Iowa Bankers Association*, 1911, pp. 94-103.

⁷⁷⁵ *Proceedings of the Seventh Annual Convention of the Iowa Bankers Association*, 1893, p. 6.

⁷⁷⁶ *Proceedings of the Thirty-second Annual Convention of the Iowa Bankers Association*, 1918, p. 72.

Whatever may have been Mr. Deming's basis for explanation of the president's absence the records show that his memory betrayed him into a rosy optimism regarding the size of the gathering. Instead of 150 bankers, 70 were registered for that meeting.—*Proceedings of the Twenty-fifth Annual Convention of the Iowa Bankers Association*, 1911, pp. 94-103.

⁷⁷⁷ *Proceedings of the Sixth Annual Convention of the Iowa Bankers Association*, 1892, p. 14.

⁷⁷⁸ *Proceedings of the Eleventh Annual Convention of the Iowa Bankers Association*, 1897, p. 18.

⁷⁷⁹ *Proceedings of the Twenty-fifth Annual Convention of the Iowa Bankers Association*, 1911, p. 97.

⁷⁸⁰ *Proceedings of the Fourth Annual Convention of the Iowa Bankers Association*, 1890, pp. 59, 60.

⁷⁸¹ *Proceedings of the Eleventh Annual Convention of the Iowa Bankers Association*, 1897, p. 95; *Proceedings of the Fourteenth Annual Convention of the Iowa Bankers Association*, 1900, p. 73; *Proceedings of the Twenty-fourth Annual Convention of the Iowa Bankers Association*, 1910, p. 37; interview with J. M. Dinwiddle, Cedar Rapids, 1918.

⁷⁸² *Proceedings of the Twenty-second Annual Convention of the Iowa Bankers Association*, 1908, p. 21.

⁷⁸³ *Proceedings of the Twenty-fourth Annual Convention of the Iowa Bankers Association*, 1910, pp. 80, 81.

⁷⁸⁴ *Proceedings of the Second Annual Convention of the Iowa Bankers Association*, 1888, pp. 19-24.

⁷⁸⁵ *Proceedings of the Twenty-fifth Annual Convention of the Iowa Bankers Association*, 1911, pp. 94-103; letter from Frank Warner, July 27, 1921.

⁷⁸⁶ *Proceedings of the Twentieth Annual Convention of the Iowa Bankers Association*, 1906, p. 19.

⁷⁸⁷ *Proceedings of the Twenty-seventh Annual Convention of the Iowa Bankers Association*, 1913, p. 113.

⁷⁸⁸ *Proceedings of the Thirty-third Annual Convention of the Iowa Bankers Association*, 1919, p. 330.

⁷⁸⁹ *Proceedings of the Thirty-first Annual Convention of the Iowa Bankers Association*, 1917, p. 177.

⁷⁹⁰ *Proceedings of the Sixth Annual Convention of the Iowa Bankers Association*, 1892, pp. 47, 74-77.

⁷⁹¹ *Proceedings of the Fourteenth Annual Convention of the Iowa Bankers Association*, 1900, p. 56.

⁷⁹² *Proceedings of the Sixteenth Annual Convention of the Iowa Bankers Association*, 1902, pp. 48, 85.

⁷⁹³ *Proceedings of the Twenty-sixth Annual Convention of the Iowa Bankers Association*, 1912, p. 154; *Proceedings of the Thirty-fourth Annual Convention of the Iowa Bankers Association*, 1920, p. 14.

⁷⁹⁴ *Proceedings of the Seventeenth Annual Convention of the Iowa Bankers Association*, 1903, p. 12.

⁷⁹⁵ *Proceedings of the Fifth Annual Convention of the Iowa Farm Mortgage*

Association, 1918, p. 84; *Proceedings of the Thirty-first Annual Convention of the Iowa Bankers Association*, 1917, p. 53.

⁷⁹⁶ *Proceedings of the Thirty-second Annual Convention of the Iowa Bankers Association*, 1918, pp. 67, 68.

⁷⁹⁷ *Proceedings of the Second Annual Convention of the Iowa Bankers Association*, 1888, p. 13; *Proceedings of the Thirty-third Annual Convention of the Iowa Bankers Association*, 1919, pp. 5-17, 28, 89-95.

⁷⁹⁸ *Proceedings of the Twenty-fourth Annual Convention of the Iowa Bankers Association*, 1910, pp. 36-39, 85.

⁷⁹⁹ *Proceedings of the Thirty-first Annual Convention of the Iowa Bankers Association*, 1917, p. 62, 153.

⁸⁰⁰ *Proceedings of the Eleventh Annual Convention of the Iowa Bankers Association*, 1897, pp. 19-24, 50.

⁸⁰¹ *Proceedings of the Eleventh Annual Convention of the Iowa Bankers Association*, 1897, p. 5; *Proceedings of the Fourteenth Annual Convention of the Iowa Bankers Association*, 1900, p. 17; *Proceedings of the Seventeenth Annual Convention of the Iowa Bankers Association*, 1903, p. 8; *Proceedings of the Nineteenth Annual Convention of the Iowa Bankers Association*, 1905, pp. 54-57; *Proceedings of the Thirty-third Annual Convention of the Iowa Bankers Association*, 1919, p. 12.

⁸⁰² *Proceedings of the Thirty-third Annual Convention of the Iowa Bankers Association*, 1919, pp. 5-17.

⁸⁰³ *Proceedings of the Thirty-first Annual Convention of the Iowa Bankers Association*, 1917, pp. 151, 152.

⁸⁰⁴ *Proceedings of the Thirty-second Annual Convention of the Iowa Bankers Association*, 1918, pp. 163, 178; *Proceedings of the Thirty-third Annual Convention of the Iowa Bankers Association*, 1919, p. 185; letter from Frank Warner, July 27, 1921.

⁸⁰⁵ *Proceedings of the Eleventh Annual Convention of the Iowa Bankers Association*, 1897, pp. 25, 94-97.

⁸⁰⁶ *Proceedings of the Thirty-second Annual Convention of the Iowa Bankers Association*, 1918, pp. 114, 117, 118, 144; manuscript letter from Frank Warner, Secretary of the Iowa Bankers Association, dated Des Moines, March 30, 1920.

⁸⁰⁷ *Proceedings of the Twelfth Annual Convention of the Iowa Bankers Association*, 1898, p. 72; *Proceedings of the Sixteenth Annual Convention of the Iowa Bankers Association*, 1902, p. 35; *Proceedings of the Twentieth Annual Convention of the Iowa Bankers Association*, 1906, p. 24; *Proceedings of the Twenty-fifth Annual Convention of the Iowa Bankers Association*, 1911, p. 58; *Proceedings of the Thirty-first Annual Convention of the Iowa Bankers Association*, 1917, pp. 138, 139, 171; *Proceedings of the Thirty-second Annual Convention of the Iowa Bankers Association*, 1918, pp. 196-202; *Proceedings*

of the *Thirty-third Annual Convention of the Iowa Bankers Association*, 1919, pp. 11, 176, 177; *Reports to the Thirty-fifth Annual Convention of the Iowa Bankers Association*, 1921, pp. 6-12, 54-66; manuscript letter from Frank Warner, dated July 27, 1921; *The Northwestern Banker*, May, 1921, pp. 15, 110, 112; *Laws of Iowa*, 1921, ch. 186; *Iowa Bankers Association Bulletin*, No. 967.

⁸⁰⁸ *Proceedings of the Eighteenth Annual Convention of the Iowa Bankers Association*, 1904, pp. 65-67; *Proceedings of the Twentieth Annual Convention of the Iowa Bankers Association*, 1906, pp. 21-23; *Proceedings of the Twenty-sixth Annual Convention of the Iowa Bankers Association*, 1912, pp. 21, 22; *Proceedings of the Thirty-second Annual Convention of the Iowa Bankers Association*, 1918, p. 194.

⁸⁰⁹ *Proceedings of the Twentieth Annual Convention of the Iowa Bankers Association*, 1906, pp. 24-32; *Proceedings of the Twenty-first Annual Convention of the Iowa Bankers Association*, 1907, pp. 15, 27, 28; *Proceedings of the Twenty-fourth Annual Convention of the Iowa Bankers Association*, 1910, pp. 25, 28; *Proceedings of the Thirty-first Annual Convention of the Iowa Bankers Association*, 1917, p. 142; *Proceedings of the Thirty-second Annual Convention of the Iowa Bankers Association*, 1918, p. 177; *Annual Reports to the Thirty-fifth Annual Convention of the Iowa Bankers Association*, 1921, p. 13.

⁸¹⁰ *Proceedings of the Thirty-first Annual Convention of the Iowa Bankers Association*, 1917, pp. 144, 154-159; *Proceedings of the Thirty-second Annual Convention of the Iowa Bankers Association*, 1918, pp. 185, 186; *Legislative Committee Bulletin Iowa Bankers Association*, No. 439, Vol. XIV, April 26, 1919.

⁸¹¹ *Proceedings of the Thirty-second Annual Convention of the Iowa Bankers Association*, 1918, pp. 180, 181.

⁸¹² *Proceedings of the Twenty-sixth Annual Convention of the Iowa Bankers Association*, 1912, pp. 94-99; *Proceedings of the Twenty-eighth Annual Convention of the Iowa Bankers Association*, 1914, p. 71; *Proceedings of the Thirty-first Annual Convention of the Iowa Bankers Association*, 1917, p. 152; *Proceedings of the Thirty-second Annual Convention of the Iowa Bankers Association*, 1918, pp. 163, 194-196.

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